

HOUSE OF REPRESENTATIVES

MONDAY, JUNE 19, 1939

The House met at 12 o'clock noon.

Rev. Edward G. Latch, pastor of the Chevy Chase Methodist Church, Chevy Chase, Md., offered the following prayer:

Almighty God, our Heavenly Father, Creator of the world and Sustainer of the human spirit, we bow in humble reverence before Thee. Upon us this day we invoke Thy blessing. As the leaders of a great nation, help us to lead our people in the way of truth, of goodness, and of righteousness.

Take from us all pride and all selfishness. Grant unto us the spirit of humility and service, the spirit of wisdom and courage, which can make us great and which alone can make us a great nation.

Make us equal to our tasks, just in our exercise of power, and generous in our relationships to one another.

Enable us, we pray Thee, to discharge our duties this day faithfully in the spirit of Jesus Christ our Lord. Amen.

The Journal of the proceedings of Friday, June 16, 1939, was read and approved.

HON. EDWARD T. TAYLOR

Mr. WOODRUM of Virginia. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. WOODRUM of Virginia. Mr. Speaker, on the 19th day of June, 1858, 81 years ago today, in the county of Woodford, Ill., there came into this world a man who has come to be known and to be loved, perhaps, as no other man who has served here during my service of 16 years in this body. I refer to the distinguished gentleman from Colorado, Mr. EDWARD T. TAYLOR, the chairman of the Appropriations Committee. [Applause, the Members rising.] A law student of the University of Michigan, president of his class, elected to the State Senate of Colorado in 1896, where he served with distinction for 12 consecutive years, Mr. TAYLOR came to the Congress on March 4, 1909, and is completing 16 consecutive terms in the House of Representatives. He has run for office in 21 general elections and has never had opposition for the nomination; became a member of the Committee on Appropriations in the Sixty-seventh Congress in 1921.

Some philosopher said that we may grow older, but we do not, of necessity, have to grow old. I think this may be said of our beloved colleague. He has grown older, but not old, and how happy we are today upon his eighty-first birthday to see that he is still strong and vigorous, virile of mind and body; that his great heart beats for the country that he has so nobly served; and that he is still willing to give us the benefit of his long, fine, great public experience.

I am sure I express the sentiments of every Member of this body today when we extend him congratulations, along with the very earnest hope and prayer that there may be many other years of useful public service and of vigorous health and happiness. [Applause, the Members rising.]

Mr. TAYLOR of Colorado. Mr. Speaker and fellow Members of the House, I thank my colleague from Virginia [Mr. WOODRUM] for his most kind and generous tribute, and I sincerely appreciate the cordial expression of good will from all the Members.

As the father of the House in years, I am not only grateful to you for this tribute on my eighty-first birthday but I want to express my sincere appreciation to all the Members of the House on both sides of the aisle for being exceedingly considerate for many years past.

It is a marvelous privilege for all of us to live and be permitted to take a small part in the affairs of the greatest country in the world during the most important period of the entire history of the human race on this planet. The thought that is uppermost in my mind today is my profound gratitude to the people out in my Rocky Mountain home State, the people who have made possible my official career. While Colorado has turned many political somersaults during the

past 50 years, my beloved Centennial State has loyally elected me every 1 of the 21 times I have run for office extending over a period of 55 years.

It is not only a pleasure but a very great honor to be a Member of this body, the greatest legislative body in the world, and I feel as grateful to the people of Colorado as anyone can for bestowing this honor upon me for so many years.

It is an old and cynical saying that the last vain and futile hope of man is to be remembered after passing away. Notwithstanding the antiquity of that expression, I do not subscribe to it. The sentiment in the human breast of hoping sometime in some way to do something worth being remembered is what stimulates the progress of the human race. I earnestly hope that each of you young people may live to celebrate your eighty-first birthday and receive as generous and heartfelt a greeting from your associates as I have received today.

My eighty-first birthday wish for all of you is that when you approach the end of the trail down the western slope of life you may each have the gratification of feeling that you have accomplished something that will richly deserve your being remembered for many years to come.

I most earnestly thank all of you for your exceedingly kind expressions of good will. [Applause, the Members rising.]

STATE, JUSTICE, JUDICIARY, AND COMMERCE DEPARTMENTS
APPROPRIATIONS BILL, FISCAL YEAR 1940

Mr. THOMAS S. McMILLAN. Mr. Speaker, I ask unanimous consent that the committee may have until midnight tonight to file a conference report and statement on the bill (H. R. 6392) making appropriations for the Departments of State and Justice, and for the judiciary, and for the Department of Commerce, for the fiscal year ending June 30, 1940, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

LEAVE OF ABSENCE

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to proceed for 30 seconds.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. LUDLOW. Mr. Speaker, Hon. J. W. Boehne, Sr., long an honored former Member of this House, father of our colleague from Indiana, Mr. JOHN W. BOEHNE, Jr., is desperately ill at his home in Evansville, Ind. I ask unanimous consent that indefinite leave of absence may be extended to the gentleman from Indiana in order that he may be at his father's bedside.

The SPEAKER. Is there objection?

There was no objection.

ACCEPTANCE OF STATUE OF WILL ROGERS

Mr. DISNEY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. DISNEY. Mr. Speaker, the Senate has passed Senate Concurrent Resolution No. 21, a resolution accepting the statue of Will Rogers, now in Statuary Hall. It involves no expense to the Government. I ask unanimous consent for the present consideration of that resolution, which I send to the desk.

The SPEAKER. The gentleman from Oklahoma asks unanimous consent for the present consideration of Senate Concurrent Resolution 21, which the Clerk will report.

The Clerk read as follows:

Senate Concurrent Resolution 21

Resolved by the Senate (the House of Representatives concurring), That the statue of Will Rogers, presented by the State of Oklahoma, now in the Capitol Building, is accepted in the name of the United States, and that the thanks of Congress be tendered to the State for the contribution of the statue of one of its most eminent citizens, illustrious for his distinguished civic services.

Resolved, That a copy of these resolutions, suitably engrossed and duly authenticated, be transmitted to the Governor of Oklahoma.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The question is on agreeing to the concurrent resolution.

The concurrent resolution was agreed to, and a motion to reconsider laid on the table.

PER TON COST OF MAINTENANCE BY RAIL AND BY WATERWAYS

Mr. MANSFIELD. Mr. Speaker, I ask unanimous consent to address the House.

The SPEAKER. Is there objection?

There was no objection.

[Mr. MANSFIELD addressed the House. His remarks appear in the Appendix.]

AMENDMENTS TO T. V. A. ACT

Mr. MAY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. MAY. Mr. Speaker, a good many statements have been made in the last few days in the press and otherwise with respect to the effect of the House amendment to Senate bill 1796, relating to the Tennessee Valley Authority. I have prepared what I regard as a fair explanation and analysis of the amendment and ask unanimous consent to include this analysis in my remarks and that it be printed in regular type in the RECORD at this point.

The SPEAKER. Is there objection?

Mr. RAYBURN. Mr. Speaker, I reserve the right to object. The other day an announcement was made that matters concerning things not under consideration in the House at the time must go into the Appendix of the RECORD.

Mr. MAY. The matter is in conference at this time, but on the objection of the gentleman from Texas, our floor leader, Mr. Speaker, I ask unanimous consent that it may be printed in the Appendix of the RECORD.

The SPEAKER. Is there objection?

There was no objection.

EXTENSION OF REMARKS

Mr. SMITH of Virginia. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a radio address recently delivered by my colleague the gentleman from Virginia [Mr. ROBERTSON].

The SPEAKER. Is there objection?

There was no objection.

FOOD, DRUG, AND COSMETIC ACT—CONFERENCE REPORT

Mr. LEA. Mr. Speaker, I call up the conference report upon the bill H. R. 5762, to provide for temporary postponement of the operations of certain provisions of the Federal Food, Drug, and Cosmetic Act, and ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. The gentleman from California calls up a conference report upon the bill H. R. 5762, which the Clerk will report.

The Clerk reported the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from California that the statement be read in lieu of the report?

Mr. RICH. Mr. Speaker, I reserve the right to object, though I shall not in the end object to this unanimous-consent request. However, are we, for the remainder of the term that we may be in session, going to permit gentlemen to call up these matters by unanimous consent without giving the membership of the House at least 24 hours' notice? If the majority leader does not want anyone to insert anything in the RECORD at this point in the proceedings, such as was requested by the gentleman from Kentucky [Mr. MAY], a matter vital to the remarks that he made, why should we permit to come up on the floor of the House without a moment's notice legislation we do not know anything about, and about whose coming up we have not been advised? If so, I think we do a wrong thing, and I ask the majority leader right now to make a request of the House that a Member who wants to bring up a matter like this should give us 24 hours' notice at least.

Mr. RAYBURN. Mr. Speaker, the gentleman from Pennsylvania has been a Member of the House long enough to know that when we approach the end of a session, and matters have been sent to conference, no one can tell when the conferees are going to agree, and if we gave 24 hours' notice on every conference report, the House would probably adjourn sine die before some of them were adopted.

Mr. RICH. Is the gentleman going to request immediate consideration of bills in which each Member is interested?

Mr. RAYBURN. I am when the majority chairman of the committee has consulted with and has an agreement with the ranking minority member.

Mr. RICH. Is the gentleman then going to expect the majority and minority leaders to be responsible for all legislation that we pass?

Mr. RAYBURN. Not singly. There are 433 other Members of the House.

Mr. RICH. It does not seem to me that that is good practice.

Mr. RAYBURN. It has always been done, and it is the only way in which it can be done in the closing hours of a session.

Mr. RICH. Is the gentleman going to permit such things to come in without notification? I think the Members ought to have at least 24 hours' notice.

Mr. RAYBURN. The program of the House is available to each Member every Saturday morning, if he desires to read it.

But, of course, these matters are emergent and are agreed upon by the conferees and must come in before the sine die adjournment.

The regular order was demanded.

Mr. RICH. Does the gentleman know when we are going to have this sine die adjournment?

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. LEA]?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5762) entitled "An Act to provide for temporary postponement of the operations of certain provisions of the Federal Food, Drug, and Cosmetic Act", having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate numbered 2 and agree to the same.

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows: In lieu of subdivision (b) of the engrossed bill (beginning on line 9 of page 1, and extending down to and including line 16 on page 2) and the Senate amendment numbered 1, insert the following:

"(b) The Secretary of Agriculture shall promulgate regulations further postponing to July 1, 1940 the effective date of the provisions of sections 403 (e) (1); 403 (g), (h), (i), (j), and (k); 502 (b), (d), (e), (f), (g), and (h); and 602 (b) of such Act with respect to lithographed labeling which was manufactured prior to February 1, 1939, and to containers bearing labeling which, prior to February 1, 1939, was lithographed, etched, stamped, pressed, printed, fused or blown on or in such containers, where compliance with such provisions would be unduly burdensome by reason of causing the loss of valuable stocks of such labeling or containers, and where such postponement would not prevent the public interest being adequately served: *Provided*, That in no case shall such regulations apply to labeling which would not have complied with the requirements of the Food and Drug Act on June 30, 1906, as amended."

And the Senate agree to the same.

CLARENCE F. LEA,
VIRGIL CHAPMAN,
CARL E. MAPES,

Managers on the part of the House.

BENNETT CHAMP CLARK,
CLAUDE PEPPER,
CHAS. L. McNARY,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5762) providing for the postponement of

the operation of certain labeling provisions of the Federal Food, Drug, and Cosmetic Act submit the following written statement explaining the effect of the action agreed on by the conference committee and submitted in the accompanying conference report:

Subsection (a) of section 1 of the bill postpones the effective date of certain labeling provisions of the new act until January 1, 1940. The conference agreement proposes no change in these provisions.

Subsection (b) of section 1 as it passed the House would give the Secretary of Agriculture power under specified conditions to further postpone the effective date of the labeling requirements of some of these sections until July 1, 1940. The purpose of subsection (b) is to permit the use after January 1, 1940, of certain labeling and containers bearing labeling which conform to the present law and where the refusal of the use thereof would be unduly burdensome.

The Senate adopted an amendment providing an additional method of securing a postponement of the effective date of these labeling provisions. It provides in substance, that by filing an affidavit setting up certain facts the applicant would thereupon be entitled "as a matter of right" to postponement until July 1, 1940, without any action by the Secretary.

The substitute recommended by the conference committee eliminates the Senate amendment, more specifically defines the cases in which postponement shall be granted, and directs the Secretary by regulations to grant exemptions within the restrictions specified in the section.

The substitute does not change the substantive law nor extend the date beyond July 1, 1940, as designated in the House bill, nor give the Secretary any greater power of extension.

The House conferees concur in the second of the Senate amendments. That amendment simply provided for grammatical changes to correct what was evidently an inadvertence in subsection (d) of section 502.

We believe it is the desire of the House to pass no act extending postponement beyond the date already approved and to make no changes in the substantive provisions of the new Food, Drug, and Cosmetic Act prior to its effective date. The proposed conference agreement is consistent with those purposes.

CLARENCE F. LEA,
VIRGIL CHAPMAN,
CARL E. MAPES,

Managers on the part of the House.

Mr. LEA. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. MAPES].

Mr. MAPES. Mr. Speaker, I have asked for this time largely for the purpose of calling attention to some questions which have been raised in regard to this conference report and to make the record complete, so that there may be no misunderstanding in regard to it.

As the gentleman from California [Mr. LEA] knows, at first some questions were raised in regard to the report because of a fear on the part of some that it discriminated against those using printed labels. The conferees felt there was no such discrimination in fact, and I think those who first raised the question have been satisfied that is true.

Mr. LEA. There is no discrimination. The exemption applies only to labels manufactured prior to February 1 of this year and not to future manufactured labels.

Mr. MAPES. And with the adoption of this conference report all labeling provisions of the law are postponed from going into effect from June 25 to the 1st of January 1940?

Mr. LEA. That is correct; yes.

Mr. MAPES. Now, there is one other question which the conferees have discussed. Of course, there are some people, a limited number to be sure, who would be glad if this law never went into effect. My understanding is that it is the position of the chairman of the committee and the other members of the conference committee, as far as the House members are concerned, and we hope the same may be said of the Senate conferees, although we are not authorized to speak for them, that there shall be no further extension of the law or any material amendments made to it, in the immediate future at least, and that the industries affected by the law should govern themselves accordingly and be prepared to comply with it as now written.

Mr. LEA. The gentleman has correctly stated the view of the conferees. It was our feeling that it is the desire of the House that there be no further extensions before the act goes into effect, or substantive amendments.

Mr. JENKINS of Ohio. Mr. Speaker, will the gentleman yield?

Mr. LEA. I yield.

Mr. JENKINS of Ohio. Would the gentleman mind doing a fine thing for all of us who do not know what he and the distinguished gentleman from Michigan are talking about, because you are both learned men and know what you are talking about, but we do not? What does this report concern?

Mr. LEA. It is an extension of the labeling provisions of the Food and Drug Act, extending the duty to comply with the new act until January 1 of this year; but in the meantime these labels that are permissible must comply with the existing Food and Drugs Act.

Mr. JENKINS of Ohio. As I understand it, it applies to nothing but drugs?

Mr. LEA. And food; the labeling provisions of the Food and Drugs Act.

Mr. JENKINS of Ohio. To what was the gentleman from Michigan referring when he said that certain portions would be postponed until next year?

Mr. LEA. There is discretionary power in the Secretary of Agriculture to extend the use of certain old labels, where they comply with existing law, and the compliance with the new law would be unduly burdensome.

Mr. JENKINS of Ohio. Who were the persons he had in mind when he suggested there were some few people who would be highly displeased with this procedure?

Mr. LEA. I know of nobody who is highly displeased with it.

Mr. JENKINS of Ohio. I thought the gentleman indicated there would be somebody who was not satisfied with what we were doing here today?

Mr. LEA. Oh, he anticipated that in the future other people will want amendments, but I think he could not define them, and I could not define who they would be.

Mr. JENKINS of Ohio. I thank the gentleman.

Mr. LEA. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. WOODRUM of Virginia. Mr. Speaker, I ask unanimous consent to extend my remarks by inserting in the Appendix a short statement on the Federal theater project.

The SPEAKER. Is there objection?

There was no objection.

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and include therein an article on the problem of interstate migration.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. MURDOCK of Arizona. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record in two respects: One, with reference to my appreciation of the chairman of the Appropriations Committee, Mr. TAYLOR; and the other with reference to mining needs in the West.

The SPEAKER. Is there objection?

There was no objection.

PHILIPPINE INDEPENDENCE

Mr. MILLS of Louisiana. Mr. Speaker, I ask unanimous consent to address the House for one-half minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. MILLS of Louisiana. Mr. Speaker, I would like to call the attention of the House to S. 2390, a bill that passed the Senate and is now pending before the Insular Affairs Committee. This bill has to do with amending the bill dealing with the Philippine Islands Independence Act.

I ask unanimous consent to insert in the Record a letter I received from Mr. C. C. Hanson, secretary of Association of Southern Commissioners of Agriculture, dealing with this bill. I may also say that this bill affects over one-half of this Nation, as well as the Philippines. If I may have permission, I would like also to insert in the Record a statement submitted to the Insular Affairs Committee by

Mr. Sergio Osmena, of the Philippines, dealing with this subject.

The SPEAKER. Is there objection?

Mr. RICH. Mr. Speaker, reserving the right to object, will the gentleman from Louisiana tell us whether the individual who writes this letter is in favor of giving the Philippines their independence?

Mr. MILLS of Louisiana. I may say to the gentleman from Pennsylvania that my remarks on this bill concern the economic rather than the political side of the Philippine question.

Mr. RICH. They want to permit the importation of produce from the Philippines?

Mr. MILLS of Louisiana. That is right.

Mr. RICH. In competition with the American farmer?

Mr. MILLS of Louisiana. Under certain limitation; yes.

Mr. RICH. That is what I wanted to get at; the gentleman is opposed to permitting these things to come in because of the fact they are grown with cheap labor in the Philippines.

Mr. SIROVICH. Mr. Speaker, I demand the regular order.

The SPEAKER. The regular order is demanded. The regular order is, Is there objection to the request of the gentleman from Louisiana?

There was no objection.

RELIEF OF CERTAIN WORLD WAR VETERANS

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that the Committee on World War Veterans' Legislation be discharged from the consideration of the bill (H. R. 5027) for the relief of veterans who served honorably during the World War and were later discharged from the service, and that the bill be rereferred to the Committee on Military Affairs.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

EXTENSION OF REMARKS

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that the gentleman from Florida [Mr. GREEN] may be permitted to extend his remarks on the Florida Canal and to include therein certain letters and excerpts from official documents.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. GEYER of California. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and to include therein a press release from the National Association of Colored People.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. DIRKSEN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and to include therein an editorial and short excerpts from the Springfield Register.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. KING. Mr. Speaker, I ask unanimous consent to include, in a revision of the remarks I made on the relief appropriation bill, two concurrent resolutions adopted by the Legislature of the Territory of Hawaii.

The SPEAKER. Is there objection to the request of the Delegate from Hawaii?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that on Thursday of this week following the legislative program for the day my colleague the gentleman from Michigan [Mr. DONDERO] may address the House for 20 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

EXTENSION OF REMARKS

Mr. MASON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record on the subject A

Series of Political Prognostications Indicating Which Way the Winds Are Blowing.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

THE WAGNER ACT

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. HOFFMAN. Mr. Speaker, may I have the attention of the Members from the city, such as the gentleman from New York [Mr. BLOOM], to call attention to the fact that when we set a clutch of hen eggs, it takes 3 weeks for them to hatch. It takes longer for duck eggs, and longer yet for goose eggs. The Labor Committee of the House has been sitting on this Wagner Act, which is nothing in the egg line but a doorknob, for about 2 or 3 months. Somebody has been monkeying with the nest, and I suspect it is the Labor Board. They have got the eggs, if there are any, all addled. Why can we not get the Wagner Act out on the floor for amendment? You city fellows ought to see about it. If you do not, it will defeat you in '40. [Applause.]

[Here the gavel fell.]

REPEAL OF SEVENTEENTH AMENDMENT

Mr. THORKELOSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[Mr. THORKELOSON addressed the House. His remarks appear in the Appendix.]

EXTENSION OF REMARKS

Mr. BLOOM. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman from New York rise?

Mr. RICH. Mr. Speaker—

The SPEAKER. The Chair has recognized the gentleman from New York.

Mr. BLOOM. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and to include therein several short articles on neutrality.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SHAFER of Michigan. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the Record and to include therein certain excerpts from explanations made by the Department of Agriculture concerning milk bills now before the House.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. SHAFER]?

There was no objection.

Mr. MURRAY. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the Record and to include therein an address given by Mr. W. A. Cameron, of Detroit, Mich., and I also ask unanimous consent that if the address consumes more than the allotted space in the Record, that it may still be included notwithstanding the extra cost.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin [Mr. MURRAY]?

There was no objection.

Mr. ANDREWS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and to include therein a letter received from a citizen of New York which I consider a pertinent outline of the current situation in this country.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. ANDREWS]?

There was no objection.

COMMITTEE ON THE JUDICIARY

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent that permission may be granted the Judiciary Committee to

sit during the session of the House today. This committee is hearing evidence on the railroad reorganization bill.

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. SPRINGER]?

There was no objection.

EXTENSION OF REMARKS

Mr. O'BRIEN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a speech given by Frank Gannett over the radio on June 17 of this year.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. O'BRIEN]?

There was no objection.

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a radio address by my colleague the gentleman from Indiana [Mr. BOEHNE].

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. LUDLOW]?

There was no objection.

Mr. RUTHERFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a letter from a corporation in my State on the effect of taxation.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania [Mr. RUTHERFORD]?

There was no objection.

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a letter received from a southern commissioner of agriculture on the Philippine bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. CRAWFORD]?

There was no objection.

HOW CANBY, OREG., DID IT

Mr. PIERCE of Oregon. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Oregon [Mr. PIERCE]?

There was no objection.

[Mr. PIERCE of Oregon addressed the House. His remarks appear in the Appendix.]

NEUTRALITY

Mr. FISH. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. FISH]?

There was no objection.

Mr. FISH. Mr. Speaker, the Republicans in the House will welcome a showdown on the Bloom fake neutrality bill, which promotes war, not peace.

I regard the measure as the most important bill that has come before Congress in many years, involving maybe the lives of millions of Americans and the preservation of our free institutions. It is an unneutral proposal, setting up machinery to permit President Roosevelt to drag us into every European war.

The Bloom bill gives the President the right to determine the aggressor nation, through establishing combat areas, and virtually delegates to him the war-making powers of the Congress. This unneutral bill, dangerous to the peace of America, must not pass.

I believe we have the votes in the House to strike out section 3, regarding combat areas, and probably votes enough to recommit it. The issue will be determined in the House by the number of protests received by Members of Congress from peace-loving Americans who want to keep out of foreign wars and are opposed to giving any one man—like the dictators of Europe—the power to send our youth to foreign lands to fight other people's battles.

RESIGNATION FROM COMMITTEE ON WAR CLAIMS

The SPEAKER laid before the House the following communication:

HON. WILLIAM B. BANKHEAD,
Speaker, House of Representatives, Washington, D. C.
MY DEAR MR. SPEAKER: I hereby tender my resignation from the Committee on War Claims.
Respectfully yours,

E. C. GATHINGS.

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

THE REVENUE BILL OF 1939

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 6851) to provide revenue, equalize taxation, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 6851, with Mr. LANHAM in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under previous order, general debate shall consume not to exceed 3 hours, the time to be equally divided and controlled by the gentleman from North Carolina [Mr. DOUGHTON] and the gentleman from Massachusetts [Mr. TREADWAY]. The gentleman from North Carolina is recognized.

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, it has been my privilege to be a member of the subcommittee on taxation of the Committee on Ways and Means since it was first created in 1933. While the work of that committee has been very strenuous and exacting, it has been extremely interesting. When the subcommittee was first created Mr. Sam B. Hill, of the State of Washington, was chairman. The majority members were Mr. Cullen, of New York; Mr. Vinson of Kentucky; and myself. The minority members were Mr. Treadway, of Massachusetts; Mr. Crowther, of New York; and the late Mr. Frear, of Wisconsin.

Following the voluntary retirement of Judge Hill from Congress, Mr. Vinson of Kentucky became chairman. The gentleman from Massachusetts [Mr. McCORMACK], the gentleman from Oklahoma [Mr. DISNEY], the gentleman from California [Mr. BUCK], and the gentleman from Missouri [Mr. DUNCAN] became majority members, and the gentleman from New York [Mr. REED] became a minority member.

Following the voluntary retirement of Judge Vinson from Congress, it was my privilege to become chairman of this subcommittee. At this session the gentleman from Indiana [Mr. BOEHNE] has been added to the majority side and the gentleman from Michigan [Mr. WOODRUFF] to the minority side of the subcommittee.

As this is the first tax bill reported since I have had the honor to serve as chairman of this subcommittee, I wish to take advantage of this opportunity to express my most grateful appreciation to the members of the subcommittee for their splendid spirit of cooperation and the valuable services they have rendered in this important work, and to thank the members of the full committee for their splendid cooperation and their vote of confidence in the work of the subcommittee in accepting the bill substantially as reported by the subcommittee. I also wish to acknowledge a debt of gratitude to Mr. Hanes, Under Secretary of the Treasury, and his associates, Mr. Stam and the members of the staff of the joint committee on internal-revenue taxation for the valuable assistance given by them, and to Messrs. Beaman and O'Brien of the drafting service for their valuable assistance.

Mr. Chairman, as we now approach the consideration of this revenue bill I believe it is well for us to bear in mind that the best way for us to accomplish real tax relief is to watch more closely the appropriations made by

Congress. It is only by appropriations voted by Congress that money can be taken from the Federal Treasury. After these appropriations are voted, the responsibility then rests upon Congress to provide the revenue to replenish the Treasury. My experience as a Member of this body has convinced me that the Congress responds to the will and the wish of the American people. As long as the American people continue to demand that the Federal Government provide more and more services and that Congress make more appropriations, the responsibility will rest upon us to provide the revenue to pay the bill.

The last three bills presented by the Committee on Ways and Means dealing with taxes have been tax-relief measures. The 1938 Revenue Act was a tax-relief measure. The motivating purpose throughout all the consideration of that bill was to afford tax relief. After we practically scraped the bottom of the barrel in providing tax relief under the 1938 Act, it is obvious that there was little opportunity left for us to provide much further tax relief without endangering the revenue of the Government.

I stated to the House during the consideration of the social-security bill recently passed by this body that that measure provided more real tax relief than any other measure we could hope to pass during this session of Congress. That statement is still true. Under the provisions of the social-security bill as passed by this House approximately \$1,710,000,000 in relief of pay-roll taxes is provided for the next three years.

The pending bill, H. R. 6851, is a tax-relief measure, designed and intended to remove certain so-called "deterrents" and "irritants" to the full and free flow of business activity.

Now, with your kind indulgence, I should like to discuss briefly the outstanding provisions of this bill.

The bill provides for the extension for a period of 2 years of the present excise taxes which yield about \$544,300,000. The bill also provides for the extension of the present 3-cent postal rate on non-local first-class mail for a like period of 2 years, and continues the power granted to the President, under existing law, to reduce the rate if he finds that it can be done. It is estimated that this provision with respect to the postal rates will provide around \$100,000,000 in revenue for the year 1940.

Most of the other provisions of this bill relate to changes in the corporation tax structure. Corporations are permitted to carry over their net operating business loss for a period of 2 years. This is as great a period as they have ever had an opportunity to do that since we have had an income-tax law. This provision will take effect with respect to taxable years beginning after December 31, 1939. However, a corporation which has sustained a net operating business loss in 1939 will be permitted to carry over such net operating business loss in reducing its income for the year 1940 and to carry over any excess of such loss in reducing its income for the year 1941. Personal holding companies get a 1-year carry-over of operating or business losses under existing law, and there is no change made with respect to that.

Next is the capital stock and excess-profits tax. Under the present law \$1 per \$1,000 is levied as a capital-stock tax. The excess-profits tax provision provides that on net income in excess of 10 percent and not in excess of 15 percent on adjusted declared value the rate is 6 percent, and on net income in excess of 15 percent on the adjusted declared value the rate is 12 percent.

The excess-profits tax rates and the capital-stock tax rates, as provided in existing law, are continued.

Corporations are given the right under this bill to increase their capital-stock tax valuation for the next 2 years; that is, for the fiscal years ending June 30, 1939, and June 30, 1940, but not to decrease such valuation. Under existing law, corporations are entitled to a new declaration, either to increase it or to lower it, every 3 years. They will have the right to make a new declaration for capital-stock tax purposes, for the fiscal year ending June 30, 1941.

Under the provisions of this bill the undistributed profits tax is not extended. Under the present law this tax ex-

pires on December 31 of this year and under this bill the tax is not extended.

For corporations with less than \$25,000 net income the rates in existing law are continued, and the treatment given excludes intercorporate dividends and Liberty Bond interest. These rates are, on the first \$5,000 of net income, a rate of 12½ percent; on the amount of net income from \$5,000 to \$20,000, or the next \$15,000, a rate of 14 percent; on the next \$5,000, or the net income from \$20,000 to \$25,000, a rate of 16 percent. The present effective rate on a corporation with \$25,000 net income is 14.1 percent. As I said a moment ago, under the provisions of this bill the tax on corporations with less than \$25,000 net income is continued as under existing law.

For corporations with net income above \$25,000, the rate under this bill is 18 percent. The present effective rate is 17.25 percent. Of course, it is on corporations with net income above \$25,000 that, under the present law, the undistributed-profits tax of 2½ percent applies; in other words, a corporation that distributes all of its net income in the form of dividends to its stockholders pays at a rate of 16½ percent. If it retains all of its net income it pays under existing law a rate of 19 percent. There is that spread of 2½ percent, from 16½ percent to 19 percent under the present law, while under the pending bill a tax at the rate of 18 percent is levied.

Banks, insurance companies, China Trade Act corporations, and corporations in possessions of the United States, such as Puerto Rico and so forth, are taxed the same as all other corporations. Mutual investment companies are taxed at a rate of 18 percent, and under the present law they are allowed a deduction for dividends paid from the tax base. Under the present law these corporations to which I have just referred were not subjected to the undistributed-profits tax, therefore a special provision had to be included in the 1938 act applicable to this group of corporations. Now, since the undistributed-profits tax is not to be continued, they are taxed like all other corporations.

Foreign corporations engaged in trade or business in the United States are taxed on sources of income in the United States at a rate of 18 percent. Under the present law their rate is 19 percent. It has always been the practice to levy on this type of foreign corporations the maximum rate that is paid by our domestic corporations. This principle is followed in the pending bill.

Foreign corporations not engaged in trade or business in the United States, those that obtain dividends, interest, rents, and royalties—income from sources of that type from within the United States—the present rate is 15 percent, except as to dividends, and the rate there is 10 percent, and these rates are continued under the pending bill.

Mr. MASSINGALE. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I would prefer to continue this explanation of the provisions of the bill, if I may, and then I shall be delighted to yield to the gentleman.

Corporations in bankruptcy or receivership, joint-stock land banks, and rental housing corporations are taxed the same as other corporations. These corporations under the present law are allowed a credit of 2½ percent of their adjusted net income. This in effect relieved them from the undistributed-profits tax. Since the undistributed-profits tax is not to be continued, this bill leaves out this special treatment for these corporations, and they are taxed as all other corporations.

This bill repeals the present limitation of \$2,000 on capital losses from ordinary income of corporations.

In the case of long-term capital losses, that is, those held more than 18 months, corporations are allowed the loss to be applied in full against ordinary income for the same taxable year in which the loss was realized. In the case of short-term capital losses, that is, those held less than 18 months, corporations are given the same treatment as is accorded individuals in the case of short-term losses, that is, to allow only short-term capital losses to be applied to

short-term capital gains. If short-term capital losses exceed short-term capital gains, the excess short-term capital loss can be applied against the short-term capital gains in the next year.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. COOPER. Mr. Chairman, that substantially covers the outstanding changes provided in this bill as to the corporation-tax structure. There are a few other matters to which I would like to briefly refer. This bill also provides for a 2-year carry-over for net operating business losses for individuals and partners the same as corporations. This bill also makes certain administrative changes, which afford relief to both the Government and the taxpayer, and I shall briefly refer to some of those.

A corporation which establishes to the satisfaction of the Internal Revenue Commissioner that it is in an unsound financial condition may redeem its bonds, notes, or other evidence of indebtedness in existence on June 1, 1939, at less than their face value, without the recognition of gain, if such redemption occurs after the enactment of this bill and prior to January 1, 1943. In other words, it provides a 3-year period for corporations in an unsound financial condition to be able to buy in their outstanding evidences of indebtedness and not be charged with the gain as between the price at which they buy them in and the face value of those obligations.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. BUCK. In drawing the language of the bill the committee has been very careful to so word it as to avoid opening up any loopholes that might result from people trying to defraud the Treasury by virtue of these new provisions.

Mr. COOPER. That is true. We have tried to safeguard and protect the provisions so that corporations not in financial distress will not be given the opportunity of taking advantage of it.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. In just a moment I shall be glad to yield. This provision will materially aid the railroads.

Mr. MAY. That is the question that I had in mind.

Mr. COOPER. And other corporations whose bonds can now be purchased at less than their face value, giving them an incentive to liquidate their indebtedness. I recall a very splendid statement made to your committee by Judge Fletcher, general counsel of the American Association of Railroads. As I recall now, he was of opinion that it might result in a reduction of the outstanding value of these obligations by some \$2,000,000,000 to the railroads, which, of course, would involve a great saving of interest charges to the railroads.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. And although it is not an official estimate, other estimates have indicated that it might result in a saving to these corporations of some hundreds of millions of dollars.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. DOUGHTON. The gentleman will recall that a letter was also addressed to the committee by Mr. Jesse Jones, Chairman of the Reconstruction Finance Corporation, recommending the provision which is in the bill.

Mr. COOPER. That is true. The Chairman of the Reconstruction Finance Corporation wrote a very strong letter to the chairman of the committee pointing out that, in his opinion, a provision of this kind would be of great benefit to corporations in the country in financial difficulty.

I shall endeavor now to cover just one or two other points. This bill includes a provision which permits corporations to continue bona fide business reorganizations without being subject to tax by reason of the assumption by one corporation of the outstanding indebtedness of another corporation involved in the reorganization.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 minutes more.

Mr. COOPER. This was made necessary by the decision of the Supreme Court in the so-called Hender case.

Another provision of this bill will validate the Treasury Department regulation of long standing, which required that where a stock dividend was declared, the basis of the original shares be apportioned between those shares and the dividend stock for computing the gain or loss on the sale thereof. This provision was made necessary by decisions of the Supreme Court in the Koshland and Gowran cases, and the treatment given here is to allow the practice to continue as it has for many years in dealing with the question of stock dividends.

Another provision included in this bill amends the Federal lien law to provide that such liens shall not be valid in the case of a negotiable instrument in the hands of an innocent purchaser in due course of trade for valuable consideration, without notice of the existence of the lien. This provision was made necessary by a decision of a district court in the State of Michigan which held that in the case of a negotiable instrument transferred to an innocent purchaser the tax lien would follow into the hands of the innocent purchaser. The purpose here is to continue the practice that has always prevailed, to not make the innocent purchaser subject to this lien.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 3 additional minutes out of my time.

Mr. COOPER. I thank the gentleman from Massachusetts.

These provisions that I have endeavored to briefly cover, as well as all other provisions of the bill, are fully covered and explained in the report, and I commend that to the favorable consideration of the Members of the House.

This bill was favorably reported by the unanimous report of your Committee on Ways and Means. It is the opinion of your committee that the bill affords real tax relief to the taxpayers of this country and at the same time will provide substantially the same amount of revenue as is provided under existing law. The excise taxes will yield about \$500,000,000 in revenue, and the corporation taxes will yield about \$1,000,000,000 in revenue. Your committee believes that this bill is worthy of your favorable consideration and support.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. MICHENER. The gentleman has made reference to certain concessions made to corporations in financial distress. Is there anything in the bill to define "financial distress"?

Mr. COOPER. That is very largely left to the Commissioner of Internal Revenue. The practical effect of it is, of course, that the corporation will make application to the Commissioner of Internal Revenue for this special treatment provided in the bill and, of course, will make a proper showing to the Commissioner of Internal Revenue as to its financial condition. Of course, from a practical standpoint, if a corporation's bonds are selling down at 20 or 30 and the par value is perhaps two or three times that much, that within itself is considerable evidence that the corporation is in an unsound financial condition. All elements will be taken into consideration, of course, by the Commissioner of Internal Revenue in arriving at a decision as to whether the corporation is really in an unsound financial condition.

Mr. MICHENER. If that is the meaning of the law, then it will be incumbent upon any corporation whose bonds are below par to go to the Commissioner of Internal Revenue and make a complete showing as to the financial condition of the corporation before it can get the relief?

Mr. COOPER. Certainly. How else could it be handled?

Mr. MICHENER. My own judgment would be that they would probably, without any explanation, hold any corporation in financial distress, which was unable to meet the obligations after a court had passed upon the matter, or in case of a railroad, for instance, in reorganization, which

had alleged officially in court that it was unable to meet its obligations, but would not apply to any corporation which, perchance, was just attempting to get along and its creditors were not pushing the obligations.

Mr. COOPER. Of course, it is largely a question of fact as to the financial condition of the corporation. That has to be determined, and discretionary authority has to be vested for the determination of that question.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. TREADWAY. I yield the gentleman 2 additional minutes, Mr. Chairman.

Mr. MICHENER. If the gentleman will yield further?

Mr. COOPER. I yield.

Mr. MICHENER. Some minor amendment at this time might prevent all kinds of confusion and all kinds of loss. I may say that our Committee on the Judiciary is now conducting hearings on reorganization and has heard the railroad-security holders and everybody else. I am telling the gentleman if he will read those weeks of hearings he will find he is placing an insurmountable task upon the Commissioner of Internal Revenue.

Mr. COOPER. I realize it is a considerable task; but the Treasury Department and the Commissioner of Internal Revenue and the Chairman of the Reconstruction Finance Corporation, which, of course, is very much involved in this matter, think they will be able to administer it as we have provided here.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. McCORMACK. Of course, the cases referred to by the gentleman from Michigan [Mr. MICHENER] are not covered by this law; because if they go into receivership under 77 (b), then, of course, they would not be subject to taxation.

Mr. COOPER. Of course, there is another provision under existing law, and a provision in the pending bill dealing with corporations in bankruptcy or in receivership.

Mr. BUCK. The very purpose of this amendment is to keep these corporations out of the bankruptcy court entirely.

Mr. COOPER. That, of course, is true.

Mr. BUCK. It is intended to put them on a sound financial basis where they can earn enough money to pay an income tax to the Government.

Mr. COOPER. That is true.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. MAY. Mr. Chairman, I hope the gentleman will not regard me as being selfish, but the gentleman will recall that under the reorganization bill the National Bituminous Coal Commission was dissolved by the President and its functions were transferred to the Secretary of the Interior. The law setting up the Coal Commission carried a provision imposing a tax on the coal industry of 1 cent per ton, which amounts to something like \$3,500,000 annually. Was the removal of this tax given any consideration by the gentleman's committee? Was it presented to the committee for consideration?

Mr. COOPER. As the gentleman knows, the Coal Act is an entirely different measure.

Mr. MAY. But it imposes a tax.

Mr. COOPER. That is not in any way connected with the 1938 Revenue Act. The Coal Act was a regulatory measure. [Applause.]

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. RICH. This may not be exactly a parliamentary inquiry, but I wish to find out whether we cannot get an opportunity to interrogate those who are responsible for this tax bill.

The CHAIRMAN. The gentleman from Pennsylvania knows that debate on the bill has been limited to 3 hours, equally divided between the gentleman from North Carolina

and the gentleman from Massachusetts. These gentlemen are in control of the time, and it must be used as they yield it.

Mr. RICH. Mr. Chairman, may I ask the gentleman from North Carolina a question?

Mr. DOUGHTON. Mr. Chairman, if the gentleman from Pennsylvania desires time, I suggest that he apply to the gentleman from Massachusetts.

Mr. TREADWAY. Mr. Chairman, rather than speaking myself, having agreed to yield to the gentleman from Pennsylvania, I now yield him 5 minutes.

Mr. RICH. Mr. Chairman, may I interrogate whomever is going to be the leader on this tax bill on the Democratic side? I suppose it is the gentleman from Tennessee [Mr. COOPER], since he just presented the bill on the floor? How much revenue will this bill raise?

Mr. COOPER. I think my closing statement was that the excise taxes will yield about \$544,300,000. The extension of the 3-cent postal rate is estimated to yield about \$100,000,000 in 1940. The corporation taxes imposed under the pending bill will run to about \$1,000,000,000. This gives an aggregate amount, therefore, of something over \$1,600,000,000 provided under the bill.

Mr. RICH. How nearly will the revenue to be raised under this tax bill equal the expenditures already authorized for 1940? As I estimate, up to the present time we have appropriated \$9,312,515,000.

Mr. COOPER. The yield under this bill, of course, is in accordance with the Budget message of the President. The gentleman himself is a distinguished and valuable member of the Committee on Appropriations, to which the President's Budget message was referred, and I would yield to him as being in possession of far greater knowledge and understanding about the appropriation phases of it than I could be.

Mr. RICH. Let me say here and now that nobody in charge on the Appropriations Committee seems to have any knowledge of the difference between the amount to be raised by this bill and the amount the Congress is appropriating for the next fiscal year; or, if they have, they are paying no attention to it.

The President's own estimate shows that next year it is expected the Treasury will receive about \$5,669,000,000 in taxes. This means we are going to be \$4,000,000,000 short under this tax bill which you men have brought in here. Now, how are you ever going to get together on revenues and expenditures?

Mr. COOPER. The gentleman knows, of course, that the pending bill does not represent all of the revenue legislation now on the statute books.

Mr. RICH. Taking all of the revenue, including that expected to be raised by this bill, according to the way I figure the thing out hurriedly here on the floor, you are going to be \$4,000,000,000 short.

I ask the chairman of the Committee on Ways and Means: What interest have you taken with the chairman of the Committee on Appropriations to try to get your two committees together to see if we could not get a balanced Budget?

Mr. DOUGHTON. What interest has the gentleman taken in cutting his garment by the cloth?

Mr. RICH. I have tried to cut the suit to fit the man. Have you in any way consulted with the chairman of the Committee on Appropriations? You should have admonished him on his spending.

Mr. DOUGHTON. No; that is not my job. The door is open at any time.

Mr. RICH. Have you consulted with the Speaker of the House? If not, you should have asked for his support in stopping the great spending spree.

Mr. DOUGHTON. The door is always open.

Mr. RICH. Have you consulted with the majority leader?

Mr. DOUGHTON. We consult frequently; yes.

Mr. RICH. Has he suggested that you stop spending? Have you gotten together and tried to coordinate the efforts

of the various committees to the end that we may have a balanced Budget?

Mr. DOUGHTON. I hope we may some time; yes.

Mr. RICH. You hope you may some time. I am asking why you do not get together now. Now is the time. You cannot put it off.

Mr. DOUGHTON. The gentleman says "you." Why does not the gentleman say "we"?

Mr. RICH. That is what we want to do on this side.

Mr. DOUGHTON. Why does not the gentleman say "we"?

Mr. RICH. You control the majority. We want to get these committees together so that our income will equal our outgo; but the gentleman has not got them together. If the gentleman will call them together and will ask me to come in, you bet I will be there. Has the Speaker of the House ever said anything to the gentleman about making your income and your outgo meet? I question if he has.

Mr. DOUGHTON. Oh, he has talked with us frequently.

Mr. RICH. Has he suggested any way whereby the gentleman should get the committees together and try to have the income and outgo equalize each other?

Mr. DOUGHTON. We have very frequent cordial and agreeable conferences; yes.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. RICH. Mr. Chairman, I want to show where we are today. We are going to be worse off this year with the tax bill than we were during the past fiscal year, or present fiscal year, which closes on the 30th of this month. The income up to this point during the present year has been \$5,237,000,000. The outgo has been \$8,625,000,000. You are in the hole right now \$3,388,000,000, and you will be over three and a half billion in the red for 1939.

In 1940 you are going to be worse off, deeper in the hole, even with this tax bill, than you were in 1939. It is a most horrible, dreadful situation. You are extending the excise taxes and 3-cent postage for 2 years. You better put that on indefinitely, because you will never get out of the red if you do not. You have continued the 3-cent postage for 2 years, but you will never get away from it, because Jim Farley, in the operation of the Post Office Department, has spent more than you will ever get in, so you know you ought to continue that indefinitely.

Mr. BUCK. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from California.

Mr. BUCK. I take it that the gentleman from Pennsylvania is not in accord with the recommendation of the minority members of the Ways and Means Committee that we strike out title I, relating to the continuance of the nuisance taxes, and the 3-cent postage rate? The gentleman wants them carried on. In other words, he thinks the position taken by the minority members of the Ways and Means Committee is indefensible.

Mr. RICH. Yes. You have to get more taxes. You cannot let the people of this country cut down on taxes or you will wreck the Nation, and that will be terrible. The people must pay the bill for the Democratic folly.

The gentleman from North Carolina, the chairman of the Ways and Means Committee, is one of the finest men who ever sat in the House, but he wants to get the chairman of the Appropriations Committee, who has a birthday today and who is another fine gentleman, and work this thing out together. The gentleman should get him to stop his expenditures or else he must bring the taxes up to meet those expenditures.

Mr. DOUGHTON. I think we can both help.

Mr. RICH. Yes. I am trying to get you together.

Mr. DOUGHTON. Is the gentleman prepared to recommend additional taxes to take care of additional appropriations so as to bring the Budget in balance?

Mr. RICH. I say that the Appropriations Committee has gone haywire. You cannot fix them up. They appropriate too much to every request.

Mr. DOUGHTON. We cannot get any help there?

Mr. RICH. No; we cannot get any help there. We have got to get those fellows together and give them a good lecture, and I hope the gentleman will do that.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. RICH. Mr. Chairman, I want to ask the members of the Committee on Ways and Means further questions. You have discontinued the undistributed-profits tax, because you state that is a good thing to do. Two or three years ago we stormed over that tax and said it would do more to the detriment of America and American business than anything that could happen. We were right. Now I certainly congratulate the gentleman on eliminating the undistributed-profits tax. He is having a change of heart on that tax, and he did a good thing. The gentleman from Tennessee [Mr. COOPER] I refer to, and he is one of the finest fellows in the House. I congratulate him now for recognizing that fact. I hope BRUCE BARTON can eliminate a law a day for a month; it should help.

Mr. COOPER. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from Tennessee.

Mr. COOPER. I accept the gentleman's congratulations with deep appreciation. May I say to the gentleman with reference to the question of appropriations and revenue that I have frequently stated to the chairman of the Appropriations Committee, and to many members of that committee, that you can find any man in the street who can spend money faster than the smartest man in the country can make it.

Mr. RICH. The gentleman is correct. He is right there. It takes brains to make money, but any fool can spend it.

Mr. COOPER. The real responsibility, so far as expenditures are concerned, rests more with the gentleman's committee than it does with the Ways and Means Committee.

Mr. RICH. I admit that, and I have done everything in that committee toward that end; so much so that the members of the committee do not like to hear it any more. I have asked them the question time after time, "Where are you going to get the money?" Not a member of the Appropriations Committee can tell me. Nor any other Member of Congress.

Mr. COOPER. I am sure the gentleman has been very diligent in that respect.

Mr. RICH. Not a member of the Ways and Means Committee can tell you where you can get enough out of the people of America to match the appropriations that have been made by the Appropriations Committee. That is why I want to know whether the Speaker of the House, the majority leader, the chairman of the Ways and Means Committee, and the chairman of the Appropriations Committee have gotten together? If not, they ought to go into conference. They ought to call their leaders together and urge a balancing of the Budget. They must find out where we are going to get the money.

Mr. DOUGHTON. I would like to observe that the gentleman from Pennsylvania is one of the most sincere and consistent Members of this House.

Mr. RICH. I appreciate that distinction and honor.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the gentleman from Tennessee began his remarks by referring to the subcommittee that has been in existence for a number of years, and he referred to the minority members, two of whom have been on the committee since its inception—namely, the gentleman from New York [Mr. CROWTHER] and myself. It has been a privilege to work with that committee. It is a trying job at best and means many extra hours of work, but I can fairly say that the intent of the members has been to do away with partisanship and confine the work of the committee to what they consider to be for the best interest of the country in the line of taxation. Our present chairman, Mr. COOPER, the gentleman from Tennessee, has been very eager to carry out that purpose.

I am not going to criticize this bill severely. I am going to make some suggestions of change, but there are two matters the gentleman from Tennessee brought up that I wish to refer to before beginning the remarks I intend to make.

The gentleman spoke about saving \$1,700,000,000 in the pay-roll tax under the social-security bill. It is begging the question just a little to say that that is a direct saving. This would have been a tax of the future if not changed. Possibly the employer and the employee could have said, "We have to calculate on this tax going into effect in future years," but as far as relief from present taxation is concerned that is more or less of a misnomer in that the tax has never been levied, and therefore the taxpayers, both the employers and the employees, under the Social Security Act, have not actually had to meet that tax. It requires somewhat of a stretch of the imagination, in my opinion, to say that it is a saving. It does not seem to me to quite qualify under that definition.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Tennessee.

Mr. COOPER. I wish to thank the gentleman for his great courtesy to me in yielding time. I do wish to say to the gentleman, however, in connection with the social-security tax to which the gentleman has referred and I have referred, that under the present law the people will have to pay that tax.

Mr. TREADWAY. They would have had to pay it, and we of the minority have criticized the excessive pay-roll tax burden that is provided under existing law to build up a mythical and unnecessary reserve of 47 billions.

Mr. COOPER. They will have to pay it unless the bill passes that is now pending in the Senate. They will have to pay that tax, they will have to pay \$1,710,000,000 more under the law as it now stands, unless this bill finally becomes law and they are relieved of that burden.

Mr. TREADWAY. Yes; I agree with the gentleman, but let me add that that law is a child of the New Deal's own conception, and the Democratic Party is on trial in tax matters right here and now because the existing law to which the gentleman from Tennessee has been referring is of their own manufacture. When we say that the social-security bill, which recently passed the House, is an improvement on the present law, that is true. The tax bill which is before the House today is a decided improvement over the present law, but the present law was written by the Democratic Party. I want to lay the blame for the mistakes in that law right where it belongs, on their doorstep.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. Did the gentleman vote for the Social Security Act?

Mr. TREADWAY. I did; under protest to a certain extent.

Mr. McCORMACK. The gentleman voted for it?

Mr. TREADWAY. Oh, that is neither here nor there. We of the minority have said all the time that the original act had a lot of bad features in it and you have taken the time and made the effort to correct them.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Michigan.

Mr. HOFFMAN. Is it not true that for the last 5 years on practically every question of major legislation they bring a bill in here and tell us we can take it or leave it and get nothing else?

Mr. TREADWAY. That is the privilege of the majority.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Oklahoma.

Mr. DISNEY. Is it not a fact that the Social Security Act originally brought into this House was brought in under an open rule and not under a gag rule?

Mr. TREADWAY. What I said to the gentleman from Michigan was that it is the privilege of the majority to write legislation according to their own methods and desires.

We are not criticizing that fact. Give us a chance next year and we will show you some changes in legislation mighty quickly.

Mr. DISNEY. Did not the gentleman and a majority of the Republicans vote for the Social Security Act?

Mr. TREADWAY. We did. However, if the gentleman will do us the honor of reading our minority views at that time, and also my remarks at the time, he will find that we did not do it with a great deal of pleasure and satisfaction. We realized the mistakes that the Democratic Party had made in writing the bill.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield for one more question?

Mr. TREADWAY. I yield.

Mr. HOFFMAN. They bring in a bill; and no matter how rotten it is, no matter what good provisions we may want to put in it, they say, "You take this or nothing." That is their attitude and always has been. We have had to take it.

Mr. TREADWAY. I am not in entire agreement with the views of the gentleman from Michigan. Occasionally we have gag rules, but that does not apply to this bill. It did not apply to the social security bill, which could have been amended if we had had the votes. We did offer some amendments to it, which were voted down. It is not altogether a case of take it or leave it, but the majority as a rule write the legislation and they are invited to an opportunity to do so.

Mr. DISNEY. Mr. Chairman, will the gentleman yield further?

Mr. TREADWAY. Just briefly.

Mr. DISNEY. Is it not a fact that the Social Security Act was in the nature of an experiment, an attempt to relieve conditions in the United States the best way we could, and did not the Republicans work with the Democrats in an attempt to bring in the best possible bill without having had previous experience in writing such legislation?

Mr. TREADWAY. The gentleman is correct in that statement, but nevertheless there were outstanding defects in the original Social Security Act which we pointed out at the time.

Mr. Chairman, I would not have made reference to the Social Security Act, which has been debated long and vigorously here, had it not been for the statement of the gentleman from Tennessee [Mr. COOPER] which I thought was susceptible to slight revision.

One other idea that he mentioned in the course of his remarks is that this is a tax-relief measure. Well, yes and no; it is a tax-relief measure to the extent that it is changing certain methods of taxation. We were told to start with that we must not try to write a bill that did not bring in as much revenue as is brought in under the present law. If the taxpayers have found difficulty in meeting their obligations in certain lines of taxation—and that experience has been voiced to the Ways and Means Committee—you are not relieving taxation a great deal if you simply shift the burden from one taxpayer's shoulders to another's and that is what this bill endeavors to do.

I do not believe the majority are entitled to anything like the credit they want to assume in saying that this is a relief measure. It is a different kind of relief and possibly the people who will now assume this additional burden will be finding fault, so you will be ready to revise it again next year. This is the kind of relief it is, not the type exactly that the gentleman from Tennessee would like to have you think it is.

Now, Mr. Chairman, we are considering here today two bills incorporated in one measure. We have before us the question of removing some of the tax deterrents to business which have grown up under this administration. Let me emphasize that they have grown up under this administration. In the press accounts and the statements put out by the majority side you find no acknowledgment that these deterrents are of their own origin. I spoke of that a moment ago and I want to reiterate the statement.

The other question we have before us is the matter of continuing the expiring nuisance taxes and the 3-cent postage rate.

I am opposed to this latter feature of the bill, as are my Republican colleagues on the committee. The basis of our opposition is the same today as on past occasions when the matter of their extension has been under consideration. The New Deal has not kept faith with the people in continuing, indefinitely, these nuisance taxes and the 3-cent postage rate. You are practically trying to make permanent the nuisance taxes and the 3-cent postage rate.

They were first put on as an emergency measure in 1932 for a period of 2 years, and the law provided they should go out of existence on June 30, 1934. That was as plainly written into the law as anything could be, but when the New Deal spending administration came into power one of the first things it did was to extend these taxes for an additional year even before they had expired the first time. In 1935 another extension was made and this time for 2 more years. In 1937 there was a still further extension, and under existing law they are due to expire on the 30th day of this month. The New Deal now proposes to extend them a fourth time and thereby again break faith with the people. This breach of faith with the people is one reason I am opposed to the extension.

Why mislead the people all this length of time? Congress called them emergency taxes in 1932 when they were first imposed. Perhaps they were, but nevertheless you of the Democratic majority did not try to economize one dollar's worth; and I am going to refer to that in a moment. That is why you are asking to have these nuisance taxes extended and the 3-cent postage rate continued. You are spendthrifts. This is the worst spendthrift administration this country has ever known.

Another objection to these taxes, in addition to the fact you are not keeping faith with the people, is the fact that they are consumption taxes, not based on ability to pay, but which fall most heavily on those with small incomes. The real basis of taxation should be the ability of the person taxed to pay the tax, and certainly you cannot say that any one of these nuisance taxes is of that character. A lot has been said about doing away with indirect and hidden taxes. Here is our chance to do something along that line.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. TREADWAY. Mr. Chairman, I yield myself 10 additional minutes.

The third reason I am opposed to the continuation of these taxes is that I have consistently refused to vote new taxes on the people or extend old ones until the New Deal first makes a definite and sincere effort to reduce expenditures. The only reason that these taxes have had to be continued beyond 1934 is because of this New Deal spending program. Originally the people were promised when this administration came into power a 25-percent reduction in the cost of Government, and that meant reduction of 25 percent below the four and a half billion dollars spent to run the Government in 1932. Instead, the New Deal has more than doubled the cost of Government.

Mr. WHITE of Idaho rose.

Mr. TREADWAY. I cannot yield. That is why the President insists these nuisance taxes be continued. Despite all the taxes the New Deal has piled on the American people, we are still running deficits of three to four billion dollars annually, with no end in sight. It would take over a 50-percent increase in taxation to balance the Budget, without making any provision for retiring the national debt, which the New Deal has increased to the staggering total of nearly \$45,000,000,000. The people are entitled to relief from taxation, and the only way they can get it is by reducing expenditures. This does not mean doing away with essential governmental functions, but simply the practice of a little economy and the elimination of waste and extravagance. A reduction of less than 7 percent in the 1940 Budget would offset the amount of money produced by the nuisance taxes, and the extra 1 cent on first-class postage.

How unfair this 1-cent extra postage is. There are \$100,000,000 more receipts from the 1-cent postage addition than the cost of carrying the first-class mail. That 100 millions is a direct tax on the users of the mail.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. SHORT. Our Federal revenues in 1932 were a little in excess of \$2,000,000,000, but last year we collected in excess of \$6,000,000,000, or more money than ever before collected in peacetime history, and yet we ended the fiscal year with a billion-and-a-half-dollar deficit, and this year it will amount to a deficit of \$3,500,000,000.

Mr. TREADWAY. The gentleman is expressing in words better than I can the thought that I am endeavoring to bring to the House.

Mr. SHORT. And that is not considering the hidden, concealed taxes on food and clothing, nor the sales tax, which most of the States have imposed on their citizens.

Mr. TREADWAY. The gentleman is absolutely correct in his statement. His conclusion, I have no doubt, is that we are going into bankruptcy. I thank the gentleman, because he is always accurate in his statements.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Very briefly. I dislike to refuse any of my colleagues, and the gentleman from Idaho is always so anxious to be heard that I will extend him the privilege.

Mr. WHITE of Idaho. I simply wanted to ask a question.

The gentleman said that he was in favor of relief from taxation. I wonder which he regards as the more important, relief from taxation or relief from starvation?

Mr. TREADWAY. What a ridiculous question. The gentleman should realize that if we eliminate tax deterrents, business will be able to provide work for the unemployed and we will not have the necessity for the present large expenditures for relief.

Mr. WHITE of Idaho. But the gentleman was speaking of relief.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Miss SUMNER of Illinois. Does the gentleman feel that any government which is extravagant can be a kind government? Does he not think that any President who goes down in history as the "Great Spender" will be one of whom it shall be said that we do not owe much to him, but we owe a lot on account of him?

Mr. TREADWAY. I think the contribution made by the gentlewoman from Illinois takes rank over the contribution made by the gentleman from Idaho [Mr. WHITE]. I congratulate her on that last remark which she made. The people and their children and grandchildren will owe a great deal as the result of the administration of President Roosevelt.

The issue we are voting on here today under title I, is simply a question of whether we are going to continue to fill the pockets of the New Deal spendthrifts by burdensome taxes on the people, or whether we are going to force the administration to do a little economizing instead of spending the public money without thought of where it is coming from.

Putting the gentlewoman's thought in a little different language, the only way in which we can express ourselves on the issue before us is by refusing to vote new taxes or continue old ones until the administration has first tried to make at least some progress toward a balanced Budget by reducing expenditures. Is that not the principle that the gentlewoman advocates—reducing expenditures?

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. HOFFMAN. But how can we do it when the administration will not reduce expenses?

Mr. TREADWAY. I will tell you how we can do it. The American people will do it in the election of 1940 by continuing in office Republicans who are here now, and adding very materially to their number.

Mr. HOFFMAN. But in the meantime we are all going to get soaked.

Mr. TREADWAY. Yes. You will have to stand the soaking for the time being. I do not know any relief from it, because evidently the motto of the administration is "Spend, spend, spend, and tax, tax, tax."

Mr. HOFFMAN. Well, in between, they borrow a little.

Mr. TREADWAY. I think the gentleman and I are so nearly in accord it would be difficult for us to get into an argument.

Mr. HOFFMAN. But I would rather give them a political hanging now rather than in 1940.

Mr. TREADWAY. However, we want the lesson to go home to the people between now and 1940.

Mr. HOFFMAN. Surely.

Mr. TREADWAY. Of what the administration is doing to them.

Mr. HOFFMAN. We want them to see what they have done and what the people think about it.

Mr. TREADWAY. Absolutely. One way to try to balance the Budget is by doing away with extravagance and reducing expenditures. Another way is to get along without things we do not actually need. That is a very important factor, I think. Do not put all the spending propositions up to the people and tell them how good they are, with no thought of how they are going to pay for them.

Mr. Chairman, I now want to refer to the second feature of the bill, namely, the removal of tax deterrents to business.

Along with my Republican colleagues on the Ways and Means Committee, I am in favor of the proposed changes in the corporate tax structure which seek to remove some of these deterrents. For years we of the minority have been criticizing the restrictive and repressive tax policy of this administration and we are glad to see that it is now admitting its errors and gradually correcting some of its mistakes.

The tax-relief features of this bill are a victory for the Republican minority. The majority are now coming around to our viewpoint.

We vigorously opposed the iniquitous undistributed-profits tax of 1936 and pointed out the disastrous effects it would have. Our predictions turned out to be correct, and in 1938 the New Deal was forced to retreat from this vicious tax principle although a vestige of the tax was retained in the law for 2 years for face-saving purposes.

I use the word "vestige" advisedly. It is defined in Webster's Dictionary as follows:

A small, degenerate, or imperfectly developed part or organ which has been more fully developed in an earlier stage of the individual or in a past generation.

The tax was a monstrosity at birth, and should never have been allowed to become a part of the Federal revenue system. The majority propose to allow what is left of it to expire at the end of this year. I favor repealing it now, retroactive to January 1. There is no excuse for the postponement of its repeal.

We of the minority refer to some of the reasons for deferment in our supplemental report on the bill, and I shall not go into them here except with respect to one of them. The excuse given by the majority for not repealing the undistributed profits this year, and substituting the 18-percent flat tax is that business has gone along for 6 months under the present tax and had adjusted itself to it.

This, in my opinion, is a very weak excuse. If the change were made, all that business would have to adjust itself to would be to an 18-percent tax instead of a tax of from 16½ to 19 percent. That would not be much of an adjustment, and I am sure business would be glad to do it in order to get rid of the vicious undistributed-profits tax principle which it has so vehemently opposed.

Moreover, it seems rather strange for the Democratic majority to be so solicitous about making retroactive tax changes. They were not so solicitous in 1936 when they passed the undistributed-profits tax late in June and made it retroactive to January 1. That bill involved a complete

and revolutionary change in the method of taxing corporations. It imposed penalty rates running up to 27 percent on corporations which for any reason desired or had to retain their net earnings rather than distribute them to stockholders. These penalty rates were imposed on top of a normal corporation income tax.

The Democratic majority did not worry then about upsetting business by a retroactive tax change which required a great deal of readjustment on the part of business.

Business wants the undistributed-profits tax wiped out now. Everyone had expected that this would be done. There is no excuse for not doing it, aside from the desire on the part of the Democratic majority not to offend the President by accelerating the expiration date of the unsound tax which he so strongly espoused. That is the real reason why the tax is not being repealed retroactively.

There also is no excuse for not making the loss carry-over provision effective with respect to 1939 income, so that business concerns which had losses last year could offset them against any taxable gains this year. Under the bill the benefit of this provision is deferred until next year.

It allows business concerns, in figuring their net profit in 1940, to subtract 1939 losses, but this gives business no immediate benefit. Its first effect will be felt when returns are filed in March 1941, covering 1940 income.

We of the minority propose to make the loss carry-over provision effective this year, so that business concerns will get the benefit when they pay their taxes next March on 1939 income.

No good reason can be advanced for deferring this relief. Business needs it now, not next year.

The only excuse given by the Democratic majority for not making the carry-over provision effective now is that the change in the income tax is not effective until next year, and they are counting on the increased revenue from the 18-percent tax to offset the loss of revenue from the loss carry-over. This argument falls to the ground if the 18-percent rate is put into effect this year as the Republican minority advocates. We propose to tie the two propositions together.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. CRAWFORD. In connection with the proposal that is being submitted, if losses are incurred by a corporation in the fiscal year 1938-39—not the calendar year—can those losses be carried forward into the 1939-40 fiscal year?

Mr. TREADWAY. Not if they were incurred in a taxable year beginning prior to January 1, 1939.

Mr. CRAWFORD. Does the bill carry relief for proprietorships and partnerships as well as corporations?

Mr. TREADWAY. Perhaps I will take the balance of my time and speak on that very point. That matter has a very interesting history. We were suddenly informed in the Ways and Means Committee that this bill would be confined to corporations. We were very much astonished at it because we had the pleasure of hearing Secretary Morgenthau, who did not advocate that program. He made reference to partnerships and individuals in business, and all of a sudden it was decided that the great haste necessary in this most important matter required cutting out everything but corporations. The minority members objected most seriously. I moved in the committee that we take up the general subject matter of tax revision, even if it required our presence here during the entire summer period. That was voted down on a strictly partisan vote—10 Republicans voting for a general study of the subject of taxation and 15 Democrats voting against it.

It will be noted in the reported print of the bill that there is a committee amendment extending the benefit of the loss carry-over provision to all business losses, not simply corporate losses.

When the bill was before the tax subcommittee, I offered this same amendment, but it was defeated on a party vote. I contended that to confine this relief to corporations was

indefensible and that the small businesses operated by individuals and partnerships were more in need of it than the big corporations.

The next day the subcommittee was to report the bill to the full Ways and Means Committee. All the Republican members of the committee were in their seats around the committee table promptly at 10 o'clock, but no Democrats were in evidence. Finally, about 10:15, they began to show up. They had been holding a private meeting and apparently were worried about trying to defend their action in restricting the loss carry-over provision to corporations.

I was prepared to again offer my amendment which had been voted down in the subcommittee the day before, but I never had an opportunity to do so. Our Democratic friends had realized their mistake and an amendment along the lines of the one I had offered the day before was promptly proposed by one of their members, and unanimously adopted.

This is just another illustration of how the Democrats consistently oppose and vote down Republican proposals and then eventually come to adopt them. The only difference is that this time it did not take them very long to be converted.

Therefore this loss provision is included in the bill as an amendment, brought in after the bill was in print.

Mr. WOODRUFF of Michigan. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. WOODRUFF of Michigan. The gentleman will agree that the motion, when it was proposed by the majority side, received the unanimous vote of the committee?

Mr. TREADWAY. Oh, yes; finally. They changed their minds overnight, and we welcomed the change. It was a mighty quick move, but it showed a little sense on the part of the Democratic majority. [Applause.]

Mr. Chairman, I do not propose to go into the other details of the bill as they are fully explained in the committee report and they all have our support. There is, however, one other matter to which I desire to refer, and that is the need for a thoroughgoing revision of the tax structure.

During the hearings on the present bill, I called to the attention of the Secretary of the Treasury a joint resolution I had introduced proposing the creation of a Federal Tax Commission for the purpose of making a study of our tax system with a view to recommending changes.

I insert at this point certain extracts from the hearings covering my discussion of the proposal with the Secretary.

Mr. TREADWAY. In view of the fact that you suggest the creation of a small commission, don't you think that there are serious questions involved in the whole tax picture that would deserve an investigation by a nonpartisan commission?

Secretary MORGENTHAU. Well, Mr. TREADWAY, I made this suggestion in order to raise a question which I think is a very important one. And just how Congress, in its wisdom, will handle it, naturally I will leave to them. But ever since I have been in the Treasury I have felt that this question of overlapping taxes is one of the important ones, and I take the liberty of bringing this to the attention of Congress so that you really might do something about it.

Mr. TREADWAY. Well, the modesty of Mr. Jenkins leads me to exhibit a similar modesty, but I call your attention to a measure which I introduced in two Congresses. In the last Congress I introduced a resolution, and repeated it in the Seventy-sixth Congress, extending this Commission's study on a broader scale than what you are suggesting here. Therefore, I would like to ask that House Joint Resolution 35 of the Seventy-sixth Congress also be given the attention of your experts, wherein it is stated:

"It is hereby declared to be the policy of the Congress—

"(1) To establish a stable, more permanent Federal tax policy."

You would agree that that is desirable, would you not?

Secretary MORGENTHAU. Yes.

Mr. TREADWAY. Then, in the second place—

"To raise the necessary revenue for the support of the Government with the least possible burden on individual taxpayers and business enterprises."

I take it this very statement you are making to us this morning is along that very line, is it not?

Secretary MORGENTHAU. I think both aims are laudable.

Mr. TREADWAY. Thank you. Then—

"(3) To give due regard to the natural economic law of diminishing returns in fixing tax rates."

You would approve of that, would you not?

Secretary MORGENTHAU. Yes.

Mr. TREADWAY (reading):

"(4) To base Federal taxes, insofar as may be practicable and expedient, upon the principle of ability to pay."

That is a good policy of the Government, is it not?

Secretary MORGENTHAU. Excellent.

The CHAIRMAN. It sounds like the Democratic platform.

Mr. KNOTSON. It does sound like it, but Mr. TREADWAY wants to carry it into effect.

Mr. TREADWAY. Then—

"(5) To eliminate insofar as may be possible indirect and hidden taxes."

Is there anything worse in our whole tax program than hidden taxes?

Secretary MORGENTHAU. I think we can agree on that.

Mr. TREADWAY (reading):

"(6) To simplify the Federal tax system, including the forms of taxation, the statement of the law, and the methods of administration."

Those are all laudable purposes, are they not?

Secretary MORGENTHAU. Very.

Mr. TREADWAY (reading):

"(7) To alleviate hardships and inequities in the application and administration of the internal-revenue laws."

That is a good doctrine?

Secretary MORGENTHAU. Yes.

Mr. TREADWAY (reading):

"(8) To minimize double taxation by coordinating the Federal tax system with those of the State and local governments."

That is exactly what you are recommending, is it not, in this small board you recommend setting up?

Secretary MORGENTHAU. Yes, sir.

Mr. TREADWAY. So that you approve of that?

Secretary MORGENTHAU. Yes, sir.

Mr. TREADWAY (reading):

"(9) To prevent tax avoidance."

That is the objective of all of us?

Secretary MORGENTHAU. It is.

Mr. TREADWAY. And—

"(10) To make such other changes as will improve the Federal internal-revenue system."

Secretary MORGENTHAU. Fine.

Mr. TREADWAY. Those are the declarations of policy. Then this modest bill of mine, timidly offered for your comment at this time, goes on to set up a Commission composed of two members of the Senate Finance Committee, two members of the Ways and Means Committee, and six members, none of whom hold any office in the Government of the United States or are engaged in activities of any political party, to be chosen by the President.

Secretary MORGENTHAU. Very good.

Mr. TREADWAY. That is a good board, isn't it?

Secretary MORGENTHAU. It sounds very good to me.

Mr. TREADWAY. Then, so far as I can see—the rest of it is more or less detail, method of procedure, and so on—so far as I can gather from your responses to my inquiries, you and I are in hearty accord as to the desirability of setting up such a nonpartisan commission.

Secretary MORGENTHAU. If I again might answer, it seems that you and Mr. JENKINS, the President, and I are all in accord.

Mr. TREADWAY. It looks very like it, and I am very glad to have you come around to our way of thinking.

Mr. Chairman, I would like to ask that my resolution be inserted in the record at this point.

The CHAIRMAN. That may be done.

(H. J. Res. 35, introduced by Mr. TREADWAY, is as follows:)

"[H. J. Res. 35, 76th Cong., 1st sess.]

"Joint resolution establishing a Federal Tax Commission, and for other purposes

"Resolved, etc., That it is hereby declared to be the policy of Congress—

"(1) To establish a stable, more permanent Federal tax policy.

"(2) To raise the necessary revenue for the support of the Government with the least possible burden on individual taxpayers and business enterprises.

"(3) To give due regard to the natural economic law of diminishing returns in fixing tax rates.

"(4) To base Federal taxes, insofar as may be practicable and expedient, upon the principle of ability to pay.

"(5) To eliminate insofar as may be possible indirect and hidden taxes;

"(6) To simplify the Federal tax system, including the forms of taxation, the statement of the law, and the methods of administration;

"(7) To alleviate hardships and inequities in the application and administration of the internal-revenue laws;

"(8) To minimize double taxation by coordinating the Federal tax system with those of the State and local governments;

"(9) To prevent tax evasion and avoidance; and

"(10) To make such other changes as will improve the Federal internal-revenue system.

"Sec. 2. There is hereby established a Federal Tax Commission (hereinafter referred to as the 'Commission'), to be composed of 10 members, as follows:

"(1) Two members who are members of the Committee on Finance of the Senate, one from the majority and one from the minority party, to be chosen by such committee;

"(2) Two members who are members of the Committee on Ways and Means of the House of Representatives, one from the majority and one from the minority party, to be chosen by such committee;

"(3) Six members (none of whom holds any office in the Government of the United States or is engaged in the activities of any political party) to be chosen by the President, by and with the advice and consent of the Senate, one of whom shall be representative of agriculture, one of labor, one of business and industry, one of individual taxpayers and consumers, one of tax lawyers and accountants, and one of tax economists.

"SEC. 3. It shall be the duty of the Commission—

"(1) To make such investigations as it may deem necessary or advisable in order to carry out the purposes of this resolution;

"(2) To publish from time to time, for public examination and analysis, proposed measures for carrying out the policy of Congress herein expressed; and

"(3) To report to the Congress from time to time, and in any event not later than January 3, 1942, the results of its investigations, together with such recommendations as it may have to make.

"SEC. 4. (a) The Commission shall meet and organize as soon as practicable after at least a majority of the members have been chosen, and shall elect a chairman and a vice chairman from among its members, and shall have power to appoint and fix the compensation of a secretary and such experts and clerical, stenographic, and other assistants as it deems advisable. A vacancy in the Commission shall not affect the power of the remaining members to execute the functions of the Commission, and shall be filled in the same manner as the original selection.

"(b) The Commission is authorized to hold hearings and to sit and act at such places and times, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to have such printing and binding done, and to make such expenditures, as it deems advisable. The cost of stenographic services in reporting such hearings shall not be in excess of 25 cents per hundred words. Subpenas for witnesses shall be issued under the signature of the chairman or vice chairman.

"(c) The Commission is authorized to utilize the services, information, facilities, and personnel of the departments and agencies in the executive branch of the Government, of the Joint Congressional Committee on Internal Revenue Taxation, and of the office of the Legislative Counsel.

"(d) The Commission shall have the same right to obtain data and to inspect returns as the Committee on Ways and Means of the House of Representatives or the Committee on Finance of the Senate, and to submit any relevant or useful information thus obtained to the Congress.

"(e) The members of the Commission shall serve without compensation for such service, but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

"(f) There is hereby authorized to be appropriated so much as may be necessary to carry out the purposes of this resolution. Amounts appropriated for the expenses of the Commission shall be disbursed by the Division of Disbursement, Treasury Department, upon vouchers approved by the chairman or vice chairman.

"(g) All authority conferred by this resolution shall terminate on the expiration of 3 years from the enactment of this resolution."

Mr. TREADWAY. Just one further reference, if I may, Mr. Secretary. May I ask that House Joint Resolution 35, which we discussed earlier, be given consideration by your Department?

Secretary MORGENTHAU. We will be very glad to give it consideration.

Mr. TREADWAY. And a report made to the committee.
Secretary MORGENTHAU. Delighted.

My purpose in calling attention to my joint resolution at this time is to emphasize the need for a complete revision of our whole revenue system. Piecemeal revisions such as the present bill are all right insofar as they go, but they do not begin to touch the real problem.

In our minority report on the pending bill we suggest the need for an interim study so that at the next session other necessary adjustments in the law may be promptly made. In addition to this interim study, there is need for a broad, long-range tax revision in accordance with the principles set forth in my joint resolution, which the Secretary of the Treasury has endorsed 100 percent.

In conclusion, Mr. Chairman, let me sum up my position on the pending bill:

First. I am opposed to the continuation of the nuisance taxes for the reasons stated.

Second. I favor the tax-relief provisions of the bill as far as they go, but favor making them effective now instead of next year. [Applause.]

The CHAIRMAN. The time of the gentleman from Massachusetts has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, at the outset of my remarks I want to pay tribute to the Treasury Department for the very fine work it has done in connection with the recommendations to the subcommittee and to the full committee with reference to the pending bill. Also, for the fine collaboration that it has evidenced in connection with the work of the committee. I want to pay tribute to Secretary Morgenthau for the great work he has done as Secretary of the Treasury. I know of no man in public life who has advanced and grown daily more rapidly than Secretary Morgenthau. Today he stands as one of the strong Secretaries of the Treasury in the history of our country. [Applause.]

I also want to pay tribute to the Under Secretary of the Treasury, John W. Hanes. Mr. Hanes is one of the outstanding businessmen of our country, a man who resigned from at least 30 directorships in business corporations and who left his own field of business activities to enter into the public service of the country, a man of sound mind, a man who has profound common sense. His willingness to leave the serious responsibilities of his own business to enter into public life at great sacrifice to himself is an example to all others, and particularly to many businessmen who are similarly situated.

I listened with a great deal of interest to my distinguished friend the gentleman from Massachusetts [Mr. TREADWAY]. He rather tried to take issue, although he could not, with the statements made by the gentleman from Tennessee [Mr. COOPER] about the tax savings that have been brought about through the Social Security Act that just passed the House. The gentleman from Massachusetts said "it was a saving insofar as any tax is in the future." What is any such tax saving but a saving of future taxes? If we provide for the reduction of an existing tax today the saving would take place in the future, and the saving would be the difference between what is imposed under the reduced tax and what the taxpayer would have had to pay under existing law, if it had been continued, so the gentleman from Massachusetts in his effort to try to get away from even admitting that the Ways and Means Committee, Democrats and Republicans, and I give them both credit—I am not so partisan as to deny credit where credit is due—in his attempt to get away from giving the Ways and Means Committee, in his case the Democratic members, credit for tax savings of \$1,710,000,000 during the next 3 years by reason of the amendment of the Social Security Act which passed the House—his very reason for it is an admission that the statement made by the gentleman from Tennessee [Mr. COOPER] is correct. Every one of us knows, of course, that if we reduce taxes we are saving the payment of future taxes the taxpayer would have to pay if the legislation reducing taxes had not been enacted into law.

Oh, we heard from a Member from Illinois referring to President Roosevelt as the "great spender." What about the human resources of this country? Oh, it amuses me—yes; it makes me bilious at times—to hear men take the floor of the House and condemn expenditures only to read in the paper about them telling the people back home how much they love them and how they fought and voted for their interests. Oh, they tell the worker who is unemployed, "I am with you," but when they are in the well of the House they speak against them, and when the roll is called they vote against them. Back home, however, they tell them how much they think of them in their distress, how much they fought for legislation, but "I was for it, with reservations." Oh, yes. Whenever they get a letter from somebody condemning them for voting for the bill, here is what they said I say in my speech: "I was for it with reservations; my reservations were such and such. I agree with you in your position." When somebody writes

urging them to vote for the bill after they have already voted they write back and say, "I voted for the bill." They play both ends against the middle.

Mr. ANDREWS. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. ANDREWS. I have been very much interested in the excellent statement the gentleman is making. I am wondering if the gentleman would vote to overrule a Presidential veto of this bill if one is made.

Mr. McCORMACK. Yes. The gentleman probably remembers that last year the gentleman from Massachusetts who is now speaking led the fight against the "third basket." I have some rather fixed views on taxation. I do not believe, no matter which party is in power, that tax legislation should be passed that interferes with the legitimate exercise of individual initiative. I believe our surtaxes are too high. I believe our capital-gains tax should be reduced. I believe that venturesome capital is necessary. I like to see capital invested in productive enterprise. I want to see idle money put to work to employ idle men. Tax legislation can be a deterrent or, on the other hand, it can be an inducement. This, in a general way, sets forth my views on taxation. I am glad the gentleman asked the question, because, if this bill were vetoed, I would vote to override the veto.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. Briefly.

Mr. KNUTSON. I am glad to say that the gentleman from Massachusetts is a very valuable member of the Ways and Means Committee and has an excellent record for favoring a lowering of all taxes.

Mr. McCORMACK. I thank my distinguished friend. I believe it is a good thing to have the people tax conscious. I would like to balance the Budget.

There is no disagreement in this respect, but there might be disagreement as to the method. I do not like to talk too strongly and I do not like to hear others speak too strongly. I do not like to see persons characterized. It is a sign of weakness of argument. Every one of the Members of the House has as much regard for the unemployed as I have. We all want to attain the same objective. However, I like to see consistency in promise and vote.

Mr. O'CONNOR. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Montana.

Mr. O'CONNOR. I want to ask a question about our big fortunes.

Mr. McCORMACK. Let us not get into the big fortunes.

Mr. O'CONNOR. These big fortunes go into tax-exempt securities. What prospect have we for having a tax on the income derived from tax-exempt securities?

Mr. McCORMACK. I do not think there is a burglar's chance this year.

Mr. O'CONNOR. What is the trouble?

Mr. McCORMACK. The lateness of the session and the serious questions involved are the main reasons. In the first place I do not know whether I would vote for such a bill or not. I do not know whether I would vote to impose a hundred million dollars in extra interest upon the Federal, State, and local Governments. But my mind is open. I have my own opinion, but, as I stated, my mind is open to the extent I keep it open on any legislation. However, I do not want to get into that now. I want to make a few observations on the minority views.

In the first place, it is entitled "Tax revision, a Republican victory." What I say has no application to the Republican Party as such. However, in my 11 years in the House I have never seen a minority view presented from a party angle. This is the first time I have seen a committee report used for direct political purposes. Of course, it can be done, but the question is, should it be done? I like to see politics fought in the well of the House; hit hard but hit clean. I do not like to see a report used as this report has been used.

I made a report last year on a tax bill. I did not make it as a Democrat. I made it in my own right as a Member of

the House. I can talk politics here and I can talk politics outside. But when I make a report I am not going to put strict partisan politics, a political piece of propaganda, into a committee report. I have too much regard for the dignity of a committee report to do that.

Let us analyze a few of the things stated here. The gentleman from Massachusetts complains we did not pass the excise-tax resolution; then he condemns it. He says they should not pass. Why, these excise taxes were put on in 1932. We were trying to write a tax bill then upon the recommendation of former President Hoover. The late Secretary Mills appeared before the Ways and Means Committee. These excise taxes were applied in 1932. I am not going to criticize the Republican Party for doing that in 1932. There was an exigency then. The Republicans did not want them any more than we want to continue them now, but the fact remains the money was needed, and the fact remains the money is needed now. Common sense tells us we have to extend them. I am not going to criticize the Republican Party for putting them in. I am calling to the attention of the Members of the House the fact that the minority Members undertake to condemn the Democratic members of the Ways and Means Committee for extending the taxes that were put on during a Republican administration.

Mr. KNUTSON. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Minnesota.

Mr. KNUTSON. If the gentleman from Massachusetts [Mr. McCORMACK] will read the report carefully, he will see that the minority commends the majority for coming around to the minority views.

Mr. McCORMACK. I have read the minority report and I will leave it to any disinterested Member of the minority party, not for public expression, but for private expression, as to whether they think that is a real minority report or a piece of unadulterated political propaganda.

Mr. Chairman, what I say is impersonal. I do not want any misunderstanding as to my state of mind.

Let me go a step further. The minority condemns us for the 2-year carry-over and state it should be retroactive to 1938 losses. Do you know that in 1932 the 2-year carry-over of losses was reduced to 1 year upon the recommendation of the late Secretary Mills? The Republican Party is just as much to blame as the Democratic Party for the present situation of no carry-over. In 1933 the Democratic Party eliminated the 1-year carry-over. We are both to blame. We both should get the credit for trying to bring back the 2-year carry-over of net operating losses, yet the minority report has the affrontery to state a half truth. You and I know that invariably a half truth is worse than a direct lie.

Mr. CRAWFORD. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Michigan.

Mr. CRAWFORD. While the gentleman from Massachusetts [Mr. TREADWAY] was on the floor I inquired about fiscal-year loss carry-overs. Can the gentleman tell me whether or not this bill permits the losses of a company operating in the fiscal year 1938-39 to carry losses forward to the 1939-40 fiscal year?

Mr. McCORMACK. No. I am glad the gentleman asked that question. If we were to go back and allow a carry-over of losses for 1939 and apply the 18-percent rate this year, corporations would pay more this year than they will under existing law. If we were to allow 1938 losses to be carried over as against 1939 gains, we would also have to consider in connection with that the 18-percent normal tax and the \$2,000 limitation on corporate capital gains that we have eliminated. Yet, the Republican members of the Ways and Means Committee have failed to take that into consideration. Furthermore, most corporations on 1938 business have already paid their taxes. I can safely say that practically all of them have. What we decided to do was to give a clean bill of

health and let the losses for 1939 start in 1940; let the carry-over start as against 1939 losses, that being the fair and equitable thing to do.

In connection with the 18-percent normal tax there is also taken into consideration the carry-over of losses and the elimination of the \$2,000 limitation on corporate capital gains. So all that is a completed picture.

My Republican friends attack this course. As a matter of fact, the gentleman from Massachusetts [Mr. TREADWAY] talks about things that happened in the executive sessions. He does not tell you that when he made the motion to impose the 18-percent tax he incorporated with the motion the provision that it should apply to 1939 losses. It happened to be the pleasure of the gentleman from Massachusetts who is now speaking to call to his attention the fact that if his motion carried it would very sharply increase the taxes corporations would pay for 1939 under his motion if enacted into law.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield for a question?

Mr. McCORMACK. I yield to the gentleman from Michigan.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 additional minutes to the gentleman from Massachusetts.

Mr. CRAWFORD. May I summarize my question in this way: As the bill comes to us, then, the undistributed-earnings tax will apply against 1938-39 fiscal year operations.

Mr. McCORMACK. The 1938 fiscal year, of course, laps over into 1939.

Mr. CRAWFORD. Can proprietors and partnerships and corporations apply calendar year 1939 losses against calendar year 1940 profits?

Mr. McCORMACK. Exactly. If on a fiscal basis, it will operate on 1939 fiscal year on the carry-over of losses.

Mr. CRAWFORD. To the point of exhaustion.

Mr. McCORMACK. Yes, absolutely.

We are all concerned about the problems that confront us. We are all concerned about the tax question. The tax question in days of prosperity is of minor concern to legislators, although not of minor concern to businessmen. The easiest thing in the world is to legislate when times are prosperous, for very few great public problems arise then. About the only serious problem concerning legislators, then, is to stop unnecessary expenditures and to have the courage to do so. It is in times of depression that serious problems arise, and it is in times of depression that the ratio of taxes to national income is felt more keenly because the ratio of taxes to national income is higher in a period of depression than in a period of normal or progressive business activity.

Just to illustrate, the cost of government is not confined to the Federal Government alone. Our State and municipal governments collect in taxes far more each year than does the Federal Government. I do not express this as a condemnation of any mistakes on the part of the Federal Government but to illustrate that the tax question is not alone a Federal question; it is a State question; it is a city question. The local taxes are usually more burdensome because they apply to property, and such taxes must be paid whether there is a profit or a loss. The Federal taxes apply generally on income.

In conclusion, Mr. Chairman, this bill is a sound bill. It corrects some of existing detriments and irritants. Further study will be made for further corrections. The bill has been considered thoroughly by the Ways and Means Committee, and it should pass by an overwhelming majority. Its passage will be helpful to business. [Applause.]

[Here the gavel fell.]

Mr. JENKINS of Ohio. Mr. Chairman, the gentleman from Massachusetts [Mr. TREADWAY], who has charge of the time, is temporarily absent from the room and has left the time in my charge and asked me to proceed at this time; therefore, I yield myself 10 minutes.

Mr. Chairman, I am not at all surprised that my good friend from Massachusetts [Mr. McCORMACK] finds himself very much exercised and disconcerted at the statements contained in the minority report. Nothing disconcerts quite as much as being told the cold truth when you wish it was not true. For the few minutes assigned to me I am going to speak, first, directly to the Republicans. Of course, if the Democrats want to listen, it is all right, because if they had listened to us 2 years ago they would have been much better off today.

The minority report, which is a document of which any Republican might be proud, states this—and the justification for it I will tell you in a minute:

Insofar as the bill proposes to modify existing taxes which act as business deterrents, it represents another victory for the Republican minority and another retreat by the New Deal.

The justification for this statement is that it is true. It is the simple unadorned truth.

It cannot be gainsaid and it cannot be denied. It is a truth that ought to be told. Proclaim it from the housetops if you wish, for it will always be the same bright truth. It is a truth that you Republicans can tell with a great deal of pride. You can talk about it and you can speak about it. It is a truth that disconcerts you Democrats, but you need not feel completely abased about it, for you did have it in your heart to change the law last year, but your fear of the displeasure of your master was greater than your courage. You wanted to repeal the undistributed-profits tax, but your courage failed you. We Republicans did not vote for last year's tax bill because it contained a very serious defect. It did not abandon the nefarious undistributed-profits tax. You Democrats made a fight to do away with that tax. You felt in your hearts and in your minds that it ought to be done away with, and as a gesture you cut it down from 27½ percent to 2½ percent. However, you did not have the courage to strike it out. Why? Because you were afraid of the man at the other end of the line. You did not strike it out, but you had the courage to reduce it from 27½ percent to 2½ percent under the spur of Republican complaint. When you reduced it, the President was too petulant to approve your actions. What did he do about it? How did he react when you made that reduction and rendered his pet piece of punitive legislation innocuous? He did something to you for which he ought to be forever ashamed.

He slapped you in the face. He would not and did not sign the bill. He pouted and refused to play the game. Like a spoiled child, he would not play. He would not sign the bill; neither would he veto it. That was a strange attitude for a President of the United States to assume. Here is the very unusual case of the President, holding the highest position in the gift of the people of this country—the highest position in the world—refusing to give any heed to a coordinate branch of the Government and the leaders of his own party; refusing to accept or reject their work which they had performed so willingly for him; refusing even to reply to them recognizing their work in any way; choosing rather to make it appear that their work was not superior to the work of school children, for he went before a little group of high-school children out here in some little town in the outskirts of Washington and there delivered his veto message. He told them in simple language that the Congress of the United States under the leadership of the great Ways and Means Committee had passed a tax bill and that it was not good enough to sign and too bad even to veto. In other words, he told them in effect that he did not care what Congress did. At that time we advocated that you Democrats ought to do away with this nefarious undistributed-profits tax. You new Congressman should know what we did at that time. We, a small but militant minority, fought valiantly to have this nefarious tax repealed. They rejected our entreaties, but now they have come to the place that they must admit their error. They went as far as they could, but they would not dare strike it out.

What have they done today? They have today refused to repeal the undistributed-profits tax. They should do it in

this bill. You Democrats have absolutely refused to step up manfully and do away with it. Why? Because you are afraid of the man at the other end of the line, so you are going to let the tax die by expiration of law. You are just going to let it die a natural death, because it does not extend beyond January 1, 1940. The President does not have the courage to admit his egregious sins against the taxpayers, and you do not have the courage to defend it. Why? Because it is indefensible. I say to my good Republican friends, go back to your people and say that what has been written in this minority report is true. Tell them that the best things in this bill that we are considering today have come about because of Republican suggestion. Last year not a single Republican on the Ways and Means Committee voted for the tax bill. Why? Because we took the position that as long as the bill recognized this principle of the undistributed-profits tax we could not vote for it. So I say again to the gentleman from Massachusetts that the truth is our shield and buckler.

Another reason we stood against the 1938 tax bill was that we had taken the position that until the administration reduced expenditures we would not vote any more increased taxes.

The reason we vote for this bill today is that they have taken the position by their silence that they are going to let the undistributed-profits tax die. They have not said a word in here about it, and it dies with the end of this year. They have surrendered; they have capitulated; but they have not had the courage to stand up and say that they made a mistake. We are saying right here and now that they made a mistake, and they are recognizing it, although they will not come forward and strike it out.

Our other reason, as heretofore stated, for voting against the bill was that we would not vote for additional taxes until the administration showed a disposition to reduce expenditures.

Although they have not reduced expenditures, but, on the other hand, they are increasing them every day, still we Republicans feel constrained to vote for this bill, because the Democrats have got the country into such a shape that we must take care of the increasing millions of those who are needy. We must bear with it now while we wait patiently for the day when we hope that the good sense of our people, guided by a kind Providence, will rid us of this plague that has well-nigh exhausted our patience as well as our substance. [Applause.]

This bill has some good features, because it will permit the undistributed-profits tax to die, for one thing; and it does another thing, in that it gives the taxpayer the advantage of this carry-over provision. I am not going into detail and discuss that feature with you, but it does give a corporation a chance to come forward and balance its losses against its gains, and that is a very fine thing to do in these distressful times.

Mr. Chairman, I have no further remarks to make, but inasmuch as I yielded myself my own time I want to ask the privilege of revising and extending my remarks.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield for a question?

Mr. JENKINS of Ohio. I gladly yield to the gentleman, because I know he will ask an intelligent question.

Mr. CRAWFORD. As I understand this proposal, corporations with incomes of \$25,000 plus will not have to pay a capital-stock tax?

Mr. JENKINS of Ohio. No; I do not understand that that is the case. No change is made with reference to the capital-stock tax.

If they had passed my bill, it would have done away with the capital-stock tax, but they did not do that. I introduced a bill about 4 months ago that provided for the repeal of the undistributed-profits tax and the capital-stock tax and the excess-profits tax, and provided for a flat corporation tax. This would have reassured business.

Mr. CRAWFORD. Let me put the question in this way: If this bill is adopted, do corporations with incomes of \$30,000

or \$40,000 or \$50,000 a year have to continue to pay a capital-stock tax?

Mr. JENKINS of Ohio. Yes.

Mr. CRAWFORD. And undistributed earnings tax?

Mr. JENKINS of Ohio. They will for this year; yes.

Mr. CRAWFORD. Undistributed-earnings tax does not apply after January 1, 1940.

Mr. JENKINS of Ohio. That is right.

Mr. CRAWFORD. And excess-profits tax?

Mr. JENKINS of Ohio. They pay that.

Mr. CRAWFORD. They continue to pay that?

Mr. JENKINS of Ohio. There is no change made in that respect.

Mr. CRAWFORD. What does the 18 percent against corporation income replace or displace or substitute itself for?

Mr. JENKINS of Ohio. As I understand, there was a sliding scale starting, I think, with 12½ percent and running up to 16½ percent, and this 18 percent applies, as I understand it, to every corporation with net earnings of over \$25,000. They pay a flat tax of 18 percent.

Mr. CRAWFORD. A great many have been misled into the belief that the corporations are to pay a flat 18-percent tax in lieu of undistributed earnings, excess-profits and capital-stock taxes, and, as I understand, that is not true.

Mr. JENKINS of Ohio. No, that is not true. Our principal fight was to try to make these changes applicable for this year, but we failed. We expect by our motion to recommend to see whether the House will refuse to make these changes applicable to 1939 and not waiting until 1940. Now is the time to repeal and reduce these deterrent taxes.

Mr. Chairman, I yield back the balance of my time. [Applause.]

Mr. REED of New York. Mr. Chairman, I yield 7 minutes to the gentleman from Illinois [Mr. DIRKSEN].

Mr. DIRKSEN. Mr. Chairman, I take as my text the statement in the committee print on page 3 of the committee report which reads as follows:

While one purpose of the bill as reported is to stimulate business activity, the committee has sought to accomplish this without endangering the productivity of the existing tax structure.

I believe the Committee on Ways and Means has moved in the right direction in the pending bill to revise taxes, but did not move far enough.

For 6 years and more we have sought the key to recovery. Spend, says one group. Economize and reduce taxes, says another. We have tried spending and it has failed to produce results. To the economizers the President hurls the challenge, "Where would you cut?"

So we continue to spend without results and the debt and deficit mount.

Business and venture capital toward which all eyes are cast for a solution of the problem and relief from our despair notes the increased spending, the mounting deficit, and the mounting debt, and then retreats into its shell. It sees nothing ahead but new taxes to meet, new expenditures. Resolutions are passed calling on Congress to revise taxes downward so that business can go ahead and create jobs. Congress and the President answer by saying that tax irritants can be removed, but the revenue must not be reduced. To reduce it means a larger deficit, more borrowing, and a larger debt. So what?

Removing irritants are all right, but it brings no substantial relief. It is tantamount to removing a cinder from a man's eye as he goes down into the water for the third time. It is like saying that it will be all right for him to drown, but let him have a comfortable demise. The country needs more than a painkiller. It needs a remedy.

The whole web of circumlocution is intriguing. Reduced taxes mean larger deficits; deficits mean increasing borrowing; increased borrowing means a larger debt. A larger debt means increased apprehension. Increased apprehension over the future means curtailed activity; curtailed activity means fewer jobs; fewer jobs mean more relief; more relief means more spending; more spending means more taxes;

more taxes—but what is the use. We are back where we started.

Several things are clear in this picture. We cannot balance the Budget this year or the next or the next. A balanced Budget means increased taxes or reduced spending or both. Yet we are seeking to provide recovery incentives by reducing taxes. As for spending, look at the record of this Congress. How much difference would it make if the Budget were unbalanced a little further for a period of 1 or 2 years? If it makes little difference why not a real, heroic adventure in an effort at recovery by ignoring the revenue and granting real, substantial tax relief?

Business insists that tax reduction must precede recovery and employment upturn. Why should not we, the Congress, take a chance? One year would suffice as a test. Why not reduce the corporate tax rate as a challenge to business and industry? A drop from 18 percent to 15 percent would diminish the revenue by less than \$200,000,000 per year on corporations with incomes in excess of \$25,000 per year. That would mean a corresponding increase in the deficit. We might even go further. Congress proposed to unbalance the Budget by twice that amount when it passed the agricultural appropriation bill and wrote in \$381,000,000 over the Budget. The House added \$19,000,000 over the Appropriation Committee's recommendation for N. Y. A.

For the various departments and independent offices we have gone over the Budget and added to the deficit. Shall we then be so squeamish about adding a little more and affording real rather than fanciful relief? If we increase the deficit with such impunity by spending, why not with equal impunity increase it a little more but actually make substantial progress in the field of tax reduction?

For 6 years this subject has been bandied about by Government, by business, and by industry, and by economists without real action. Here is an opportunity to take business at its word. If it works it will be the best thing this Congress ever did. If it fails we will be little worse off than we are now. Is the Congress game? Is it willing to take a chance?

I wonder if the Congress is game and whether it is willing to take a chance to reduce these rates so we will have substantial rather than fanciful tax reduction, which does not actually reduce the revenue and removes only a few irritants. I think this is the greatest challenge that will come before the Seventy-sixth Congress during this session. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 9 minutes to the gentleman from Oklahoma [Mr. DISNEY].

Mr. DISNEY. Mr. Chairman, I do not know how much in earnest the gentleman from Illinois [Mr. DIRKSEN] was in suggesting that we reduce the corporate rates to 15 percent. We might try that. We do not know what effect it would have except a large revenue loss. None of the gentleman's Republican colleagues on the Ways and Means Committee even suggested that we do that.

Mr. DIRKSEN. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. Yes.

Mr. DIRKSEN. With reference to the figure, I talked to Mr. Stam of the committee this morning, and he told me that a reduction of 1 percent on corporations having an income of over \$25,000 would make a difference of \$50,000,000 to \$60,000,000 in revenue, so that a reduction of 3 percent would work out to about the amount I stated.

Mr. DISNEY. The majority of the committee, including the Republicans, decided it was not a safe proposition to attempt to reduce the rate to 15 percent, and there was no serious objection on the part of the Republicans to raising the rate to 18 percent, together with the other features of the bill. So, when the committee reported the bill unanimously, with a few little political by-plays in the minority views, it was the substantial judgment of all the committee that the rate be raised to 18 percent.

A day or two ago there appeared in the local press, and I suppose all over the Nation, a suggestion that we broaden the base and lower the exemptions for the middle class of taxpayers. That might at first sound splendid from the standpoint of raising taxes, but it is not actually feasible to invade

the pocketbook of the middle-class taxpayer. The whole thing is superficial, when we come to consider the amount of money it would actually raise. By doing that we would raise only about \$135,000,000 additional, which does not begin to do anything substantial in the way of balancing the Budget. If we would change the normal tax rate on the individual from 4 to 5 percent and change the exemption for unmarried persons from \$1,000 to \$800 and for married persons from \$2,500 to \$2,000, we would raise only \$135,000,000. Congress whoops off more money than that almost any afternoon in Congress when it gets ready. The amount does not really mean anything toward balancing the Budget, and I for one am going to view the prospect of levying on the middle-class taxpayer with a good deal of suspicion, and I shall go into the matter very thoroughly before I would subscribe to anything of that kind.

The Chinese have a saying that one picture is worth 10,000 words. To me this chart, prepared by the Treasury Department, to an extent tells why we have 10,000,000 people out of work. The total expenditures for 1933 were \$7,691,000,000; Federal; State expenditures, \$4,358,000,000—a jump of two billion over 1932; local expenditures for 1933, \$6,158,000,000, or a grand total of \$18,196,000,000 for the year 1933, when we had a total national income of \$65,000,000,000. Therefore, nearly 30 percent of the national income went into taxes. This shows that with the exception of customs nearly every item has some features of double taxation, State and Federal, with a total lack of coordination in the spending of this money.

Of the \$18,000,000,000, you will notice that agriculture, with 30,000,000 spending farmers, if they have any money to spend, get \$1,000,000,000. In 1916, as I have stated before, on this floor the Federal Government got along with \$1,034,000,000 in Federal expenses, with comparably the same population in the Nation as we have now, and in 1933 the Federal Government expended \$7,691,000,000.

Individual income was \$1,313,000,000, most of it going to the Federal. The corporate income was \$1,448,000,000, Federal.

Motor fuel and vehicles, \$293,000,000 Federal and \$1,163,000,000 State.

Liquor and tobacco taxes were \$1,136,000,000.

Sales taxes and other excises were \$287,000,000 Federal and \$717,000,000 State.

When we add together the total expenses, both State, local, and Federal, for education, highways, agriculture, social security, we have nearly \$9,000,000,000. Now, what did we do toward retiring the debt? We paid in Federal interest in 1933 \$926,000,000; State interest of \$121,000,000, and local interest of \$592,000,000, or a total of \$1,639,000,000.

On debt retirement we made the heroic effort of reducing the Federal debt \$65,000,000. The States retired \$135,000,000, and the local governments retired \$529,000,000. The Federal Government borrowed \$1,449,000,000. The States borrowed \$156,000,000; the local governments borrowed \$602,000,000.

To me this illustrates the necessity for coordination of our taxing powers as well as reason for changing the situation as relates to overlapping functions, both of expenses and of administration, on the part of the Federal and State governments.

Mr. RICH. Will the gentleman yield?

Mr. DISNEY. I yield briefly.

Mr. RICH. Do you not think we should have coordination between the Appropriations Committee and the Ways and Means Committee, one on the expenditure of our funds and the other income?

Mr. DISNEY. Many of us have always thought that. The Secretary of the Treasury made that recommendation to the committee not 3 weeks ago, and out of his interest, grew the preparation of this chart. He suggested that we do coordinate our activities here; that the Ways and Means Committee of the House with the Appropriation Committee of the House, and corresponding committees of the Senate, should collaborate and, to use his language,

see how much the Nation needs, and how much the Nation can afford to spend.

Further answering the gentleman's question, you will remember that up to the Civil War the Ways and Means Committee was not only the tax-raising committee but was the spending committee. It would be well to have it that way now.

Mr. RICH. If the Secretary of the Treasury just made that statement 4 or 5 weeks ago, after he has been in office for 6 or 7 years, and he has not made a statement before that time, it seems to me it is one of the most outrageous things that ever happened that you have not gotten together long before this.

Mr. DISNEY. Mr. Chairman, I did not yield for such a tirade as this. The gentleman reminds me of what Macbeth said to the witches:

Say from whence you owe this strange intelligence, or why upon this blasted heath you stop our way with such prophetic greeting.

[Applause.]

Mr. Chairman, I think we can well study this chart and take the figures involved to carry on a definite, constructive program in the direction of a better tax system for the whole Nation.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. ROUTZOHN. I was wondering if you could get those figures into the RECORD.

Mr. DISNEY. Yes; in my extension of remarks. Copies of these charts will be available in a short while in blotter size for your desk, if you desire them. [Applause.]

Mr. JENKINS of Ohio. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. ENGEL].

Mr. ENGEL. Mr. Chairman, whatever can be said for or against President Roosevelt's social program, it is my firm conviction that his financial program as represented in his efforts to bring about recovery is going down in history as the most colossal failure of the century. I listened carefully and intently for nearly 1 hour to his message to the Congress on January 4, and again to his message of April 27. I sincerely hoped that I might hear some new program, some new thought or idea which would finally lead us out of the depression in which we have been for nearly 10 years.

All I heard was the same old philosophy of recovery he has preached now for nearly 6 years—that of trying to borrow and spend ourselves out of the depression. After taking all the political patent medicine in the Marx-Browder-Corcoran-Cohen-Wallace-Ickes-Hopkins patent-medicine chest, the President now offers us the same old medicine without even a change in name, and tells us that the only way to bring us out of the depression is to lift ourselves out by our own boot straps.

Congress will have appropriated more than \$65,000,000,000 for the first 7 fiscal years of this administration—a sum that represents nearly 50 percent of the cost of operating this Government during the 144-year period from George Washington down to the New Deal. We will have increased our national interest-bearing debt by nearly twenty-three and one-half billions of dollars from March 4, 1933, to June 30, 1940. It will then have reached an all-time high of nearly \$45,000,000,000, representing 34 percent of the assessed valuation of every piece of real and personal property placed upon the assessment rolls by the local assessing officers of the 48 States.

After nearly 6 years of "trial and error"—but mostly error—we find ourselves with nearly as many men unemployed today as we had when we started, and with more individuals and families on relief than when the Roosevelt administration took office on March 4, 1933. The only plan of recovery he advanced in his message was the same old plan of "spending and more spending," "borrowing and more borrowing," which will of necessity be followed by "taxes and more taxes." After 6 years of this type of a program, the President frankly confesses that our national income produced is still \$62,000,000,000 or, as he put it, that this

is still a "\$62,000,000,000 country," and tells us with a look of triumph on his face that he hopes to make it "at least an \$80,000,000,000 country." This is indeed a dismal outlook when the history of the past demonstrates that an \$80,000,000,000 income produced would, under present conditions, leave us with some seven or eight millions of unemployed and with from fourteen to sixteen millions of people on the relief rolls.

I want to discuss that message today, but before I do so, I think it might be well to take an inventory of the conditions as they exist today. In doing so, I shall quote evidence given either by friends of the administration, by administration officials—taken from their records—or from other impartial sources.

APPROPRIATIONS

Congress will have appropriated for the first 7 fiscal years of the Roosevelt administration an amount equaling 48.5 percent of the assessed valuation of every piece of real and personal property placed on the assessment rolls by the local assessing officers of the 48 States.

The amounts appropriated and to be appropriated, including the amount recommended by the President in his Budget message of January 5, 1939, are as follows:

72d Cong., 2d sess., and 73d Cong., 1st sess., fiscal year 1934 and prior years.....	\$7,692,447,339.17
73d Cong., 2d sess., fiscal year 1935 and prior years.....	7,527,559,327.66
74th Cong., 1st sess., fiscal year 1936 and prior years.....	9,579,757,330.31
74th Cong., 2d sess., fiscal year 1937 and prior years.....	10,336,399,272.65
75th Cong., 1st sess., fiscal year 1938 and prior years.....	9,356,174,982.92
75th Cong., 3d sess., fiscal year 1939 and prior years.....	10,928,609,972.02
76th Cong., 1st sess., fiscal year 1940 and prior years (estimated).....	10,190,311,483.23

Total appropriated for last 7 fiscal years, including 1940..... 65,611,259,707.96

DEBT AND TAXES

The records of the United States Treasury show that on February 28, 1933—the last daily statement issued by the Treasury Department before the day President Roosevelt entered office showing the national debt—the national debt was \$20,934,729,209.68.

The financial statement of the United States Treasury dated June 15, 1939, shows that the gross debt of the United States Government on that day was \$40,349,773,482—an increase of \$19,415,044,273 since the Republican Party went out of power. This does not include debts of Government corporations guaranteed by the United States Government. In his recent Budget message the President estimates the national debt at \$44,457,845,210 by June 30, 1940.

Receipts, deficit, and national debt for 1920, 1925, and 1930-40

Year ended June 30—	Receipts or taxes and fees paid to Government	Deficit	National debt
1920.....	\$6,694,565,389	+\$212,475,198	\$24,297,918,412
1925.....	3,780,148,685	+250,505,239	20,516,272,174
1930.....	4,177,941,702	+183,789,215	16,185,308,299
1931.....	3,189,638,632	901,959,080	16,801,485,143
1932.....	2,005,725,437	2,942,051,451	19,487,009,766
1933.....	2,079,696,742	2,245,452,980	22,538,672,164
1934.....	3,115,554,050	3,255,393,297	27,053,085,988
1935.....	3,800,467,202	3,782,966,360	28,701,167,092
1936.....	4,115,956,615	4,952,928,957	33,545,384,622
1937.....	5,293,840,237	3,252,539,719	36,427,091,021
1938.....	6,241,661,227	4,702,165,600	37,167,487,451
1939 ¹	5,520,100,000	4,072,229,000	41,131,502,010
1940 ¹	5,669,300,000	3,426,363,200	44,457,845,210

¹ Estimated.

Despite the fact that the taxpayers of the United States will have paid into the Treasury from July 1, 1933, to July 1, 1940, the enormous sum of nearly \$34,000,000,000, we find that our debt will have increased nearly \$24,000,000,000 by July 1, 1940. Dun & Bradstreet's Review for April 1939 shows that the taxpayers of America paid during the fiscal year ending June 30, 1938, \$6,028,000,000 Federal, \$3,900,000,000 State, and

\$4,725,000,000 local taxes, or a total of \$14,653,000,000 taxes in 1 year. This is nearly \$2,000,000,000 more than the total income produced by all factories and nearly three times the income produced by all the farms in the United States during 1938.

The President in his recent message said the income produced of the Nation was \$62,000,000,000 in 1938. This means that the taxpayers of the United States paid in taxes within 12 months a sum that equaled 23.6 percent of the income produced by the entire Nation during 1938.

May I call attention to the fact that much of the State and local spending was encouraged by the Federal Government, and the further fact that Federal aid was and is contingent in many cases on local spending and borrowing.

Summarizing, we find that since February 28, 1933:

First. Congress has appropriated more than \$65,000,000,000, including the estimate for the fiscal year ending June 30, 1940.

Second. That our debt will, by June 30, 1940, have reached the colossal sum of nearly \$45,000,000,000, with an increase of nearly \$24,000,000,000 from February 28, 1933, to June 30, 1940.

Third. That the people of America will have paid nearly \$34,000,000,000 in Federal taxes during that time.

Fourth. That in 1938 the total tax bill of America—National, State, and local—amounted to nearly 25 percent of the income produced for that year.

PROGRESS?

In the face of these facts it is a fair question to ask:

First. What progress have we made and how far have we come on the way to recovery?

Second. Have we reduced the number of unemployed?

Third. Have we reduced the relief rolls?

RELIEF AND UNEMPLOYMENT

Col. F. C. Harrington, the W. P. A. Director, in testifying before the Appropriations Committee recently, placed into the record a table showing the number of persons and households receiving various kinds of relief, month by month, from January 1933 to November 1938. This table shows that in February 1933 there were 4,976,000 households and 19,565,000 persons receiving various kinds of relief. His latest record shows that in February 1939 there were 7,278,000 households and 22,781,000 persons receiving various kinds of relief, an increase of 2,302,000 households and 3,216,000 individuals over February 1933.

The American Federation of Labor unemployment figures show that in 1932, the last year the Republican Party was in power, the average number of unemployed was 13,182,000, while the average number of unemployed for 1938 was 10,936,265.

The March American Federationist preliminary figures show that in January 1939 there were 11,523,031 unemployed.

Department of Commerce economists say that in November 1938 there were 54,874,000 persons 15 years old and over employed or seeking gainful occupations.

If we accept these figures as to the number of gainful workers, there was an average of 12,931,000 unemployed for the year 1938 and 13,185,000 unemployed for the month of January 1939. In other words, we had 3,000 more unemployed in January 1939 than the average we had in 1932. The average number of unemployed in 1932 was, according to the American Federation of Labor figures, 13,182,000.

Again summarizing, after spending all this money, appropriating more than \$65,000,000,000, and going in debt \$24,000,000,000 since March 4, 1933, we find we have about as many unemployed and more people on relief than when we started on this program. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 9 minutes to the gentleman from Missouri [Mr. DUNCAN].

Mr. DUNCAN. Mr. Chairman, I cannot let this opportunity pass without paying my final respects to an old friend. Four years this friend came into existence in this House, a very likely youngster. He has been convicted of being "a tax deterrent" and condemned to be executed on the 31st of December 1939. I am not protesting against

this execution because apparently he has outlived his usefulness. I am speaking of the undistributed-profits tax. What I say is not going to be agreed to by a great many Members on either side of this House. Before that youngster even got a start in life he had an arm cut off, and was otherwise maimed and mutilated. He never had a chance in life; he was bemeaned and cursed, slandered and libeled during all that time. No wonder he lost caste and is to die the death of a felon.

I am one who believed and who still believes in the principle of the undistributed-profits tax. I cannot agree with my good friend, the gentleman from Ohio who spoke a moment ago. I believe that an undistributed-profits tax was and is a fair tax. It never had an opportunity to be tried out to determine just what its effect would be. Those of you who were Members of the House in 1935 when we passed the undistributed-profits tax bill will remember that every form of corporation tax was repealed except the undistributed-profits tax: The normal tax, the excess-profits tax, the capital-stock tax, every form of corporate tax was repealed except the undistributed-profits tax.

What is a corporation after all? It is nothing but an aggregation of individuals who by legal fiction are given the right to deal as an individual; and the money the aggregation of individuals turn over to the corporation as a trustee, we might say, is still their money, it is still their funds; and the money those contributions earn are turned back to the people who contributed the capital. Why should not the corporation be placed in the same classification, the same category, as an individual? Why should an individual who makes \$1,000,000 be required to pay 79-percent income tax to the Government while the corporation making \$1,000,000 pays but 18-percent income tax to the Government, or 15 percent, or 13 percent? That is, if the corporation retains all its earnings and does not distribute them to its stockholders. I can see no very good reason for it. The undistributed-profits tax was intended in a measure to equalize that situation so that a corporation would pay an income tax on that portion of its earnings which it retained. And the distributees would pay on their distributive shares.

Let us not forget that this old friend of mine who suffered so many changes in form and was so much abused, never really did any wrong to anyone. From 1923 to 1935 all the corporations of this country distributed approximately 70 percent of their profits. That class of corporations making \$25,000 and above which constitute about 12 percent of all corporations, and which pay approximately 90 percent of the tax, distributed over the same period 75.5 percent, under the Undistributed Profits Tax Act as passed by the House in 1935. If they had distributed those percentages, they would not have paid any more, and many corporations would not have been paying as much taxes to the Federal Government as they were required to pay under the law in effect at the time the Profits Tax Act was passed. So I say there has been a great deal of misunderstanding about it.

When that bill went to the other body it was completely changed. There was imposed a graduated tax, and superimposed upon that was a modified form of undistributed-profits tax; so the true undistributed-profits tax was never put into effect.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. I yield.

Mr. COOPER. I am sure the gentleman will recall that the part of the corporation tax put back in the bill by the Senate which had been left out of the House bill amounted to eight times more than the undistributed-profits tax part of the bill.

Mr. DUNCAN. The gentleman is entirely correct. When the undistributed-profits tax finally came back it was a comparatively minor item in the tax bill.

Mr. MCCORMACK. Outside of the undistributed-profits tax there is not a thing in this bill that we are remedying for which the Democratic Party is wholly responsible.

Mr. DUNCAN. That is true.

Mr. Chairman, I want to say a word about spending, which we have heard a great deal about today. A very good friend of mine out in Missouri was in my office not long ago discussing this question. He has been for quite a while a member of the advisory committee of the Secretary of Commerce. He is a very outstanding businessman. He was complaining about the great amount of expenditures, and I heartily agreed with him. The day he was here I had read in the newspapers an article condemning the Congress for its large expenditure of funds. I had also received some telegrams from outstanding men in my State asking for additional appropriations. I made a statement to him which I am going to repeat in this House today. Of course, we are all human. We all have to be sent here by the people in the district which we represent; and if we cease to be responsive to the demands of those people, we will not stay here very long.

I said to him: "If you will go back home and get your newspapers, your chambers of commerce, your civic organizations, and all of your public-spirited citizens to use the same amount of influence upon the people generally, urging them to stop demanding expenditures by the Congress, you will not have much trouble with the Congress itself."

Every Member of this House has received hundreds of telegrams from their local chambers of commerce, from business organizations, and from men of responsibility condemning the expenditure of public funds; and then a week later or maybe the next day you receive letters and telegrams from people making up those organizations urging you to increase the appropriation for some particular project in which they are directly interested. Within the last 4 days everyone of us has experienced that identical situation.

Therefore, if these people will urge that the folks back home come to a realization of the situation we are facing, we shall have no trouble in finally balancing the Budget. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Virginia [Mr. ROBERTSON].

Mr. ROBERTSON. Mr. Chairman, sometimes I have voted for bills reluctantly and sometimes I have voted against them reluctantly, but this is a bill for which I will be able to vote with great pleasure. It is a bill that has been very carefully drawn and one which gives a measure of relief to business.

When the undistributed-profits tax was before our committee in 1938—and incidentally I do not have to take much time on that subject, because I never was in favor of it—business interests appeared before our committee and stated that they would rather have a 22-percent flat rate than the undistributed-profits tax. We have given them an 18-percent flat rate.

We have heard a lot about small business and its need for refinancing, need for relief from the existing debt structure, and need to carry over losses from a bad year against an income of a good year. The committee agreed to an amendment that I offered to the bill as originally introduced to permit all indebtedness, not just interest-bearing or registered indebtedness, to be refinanced when the corporation was in an "unsound" financial condition. Some Members have made reference to the fact that that means "distressed financial condition." If you will refer to line 14, page 30, you will find that the word used is "unsound."

What will be the practical effect of that? Say a business owes \$100,000 and has difficulty in going ahead. It needs some working capital. It needs relief from interest charges. It will go to the R. F. C. and say, "Will you lend me \$50,000 if I can buy in my indebtedness for 50 cents on the dollar?"

The R. F. C. will make an investigation of the condition of that business and if it determines that with \$50,000 new capital the business can go ahead it will promise a loan. The business will go to its bank and say, "I can pay you 50 cents on the dollar and that is all I can pay you. I will have to borrow the money from the R. F. C." The bank will make

an investigation and will determine it is a good transaction for the bank to cash in at 50 cents on the dollar. You then have the report of the local bank that 50 cents on the dollar is a fair value for the securities. You have the report of the R. F. C. that goes to the Commissioner of Internal Revenue for his approval whether or not the fiscal affairs of this corporation are such that he would be justified in saying it is in an unsound condition, so that when it buys in its obligations at 50 cents on the dollar the difference shall not be charged against it as an income tax.

Mr. ZIMMERMAN. Will the gentleman yield?

Mr. ROBERTSON. I yield to the gentleman from Missouri.

Mr. ZIMMERMAN. Does the gentleman make the same provision for an individual who is engaged in business and who may have the same misfortune?

Mr. ROBERTSON. Not in this case but in net operating loss. That covers everybody that is engaged in business. It does not apply to all private transactions, such as you or I may have, because we are not engaged in business. It is applied to business and business only.

Mr. ZIMMERMAN. In other words, it does not apply solely to a corporation?

Mr. ROBERTSON. No; the net operating loss carry-over may be applied to a partner, it may be an individual merchant—anybody in business.

I have been very glad to hear today the kind words spoken of our Under Secretary of the Treasury, John Hanes, and I fully agree with all the praise that has been given that gentleman today. For a number of years business has been telling us, "We want a practical businessman at the head of our Revenue Department." We have such a man, one who is versed not only in the manufacturing end of business but in the security end of business; a man who has knowledge of business in a big way—not a small way but a big way—who is fair, who is approachable, and who has rendered a great service to our committee in the preparation of this bill.

The Commissioner of Internal Revenue is under the Under Secretary of the Treasury. So if there be any fear that we have not gone far enough in defining what is an unsound business condition, there is the Under Secretary of the Treasury to give advice to the Bureau of Internal Revenue when specific problems come up. Not only that but we have in that Under Secretary of the Treasury a man who proposes to make a full study of our whole tax structure, and that is highly important. He has already prepared for us a splendid chart, which was exhibited here today by our colleague from Oklahoma [Mr. DISNEY].

I am sorry, Mr. Chairman, that in the discussion of such an important matter as this tax bill we have a small attendance, whereas on Friday this Chamber was filled from 11 o'clock in the morning until 1 o'clock at night with Members of the House who could scarcely find time enough to send word back to their districts of how they loved their constituents and proposed to get for them larger and larger appropriations from Uncle Sam. [Applause.] Now we have before us a bill to put on some taxes; and I wish to say that the time to shed crocodile tears for the taxpayers is when the appropriation bills are before the House, not when tax bills are here. [Applause.] I feel I can make this suggestion with as good grace as any Member of this House, because no Member of the House has more consistently than I voted to keep down the expenditures of the Federal Government.

Now just a word for my valued and esteemed colleagues on the Republican side, with whom I enjoy so much service on the Ways and Means Committee. They have said in their report that they do not want to continue the excise taxes, to which we must look for at least \$500,000,000 of the revenue of the next fiscal year, revenue which at most will not be \$6,000,000,000, as against contemplated expenditures of \$10,000,000,000 or more. With all due deference to them, I believe their suggestion that we should drop these excise taxes at this time comes more or less in the nature of a political gesture rather than as a serious position. They all voted to

report out this bill, and as far as I know they will all vote for its passage. Everyone knows that if we dropped every emergency expenditure now contemplated the regular expenditures of the Government alone would exceed the expected revenue, including the \$500,000,000 of excise taxes. I am glad, however, that my Republican friends want to continue and make permanent the excise tax on sporting arms and ammunition. And I want to pay tribute to my colleagues, the gentleman from California [Mr. BUCK], and the gentleman from Michigan [Mr. DINGELL], for their fine service in having that provision adopted by the subcommittee and included in the bill as first introduced.

Mr. HARTER of Ohio. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. I yield to the gentleman from Ohio.

Mr. HARTER of Ohio. The gentleman understands, does he not, that there are many inequities in these excise taxes?

Mr. ROBERTSON. Oh, I understand that there are inequities in all taxes. When you say to a corporation, "If you are a few hundred dollars less than \$25,000, you will get one rate, and if you are a few hundred dollars over \$25,000, you will get another rate," that is an inequity; but how can we help it? You cannot frame a tax bill that is absolutely free from inequities.

Mr. HARTER of Ohio. Will the gentleman tell me why there should be an excise tax of from 8 to 12 percent on tires and tubes of automobiles and trucks when you have an excise tax of only 2 percent on other automobile accessories?

Mr. ROBERTSON. I am willing for the RECORD to show that my friend from Ohio has expressed deep concern over the problems that arise in his State and elsewhere concerning tires, but I wish to assure the gentleman that every farmer in Virginia who buys one of these automobiles or one of these tires is paying the tax; it is not coming out of the gentleman's manufacturers.

Mr. HARTER of Ohio. That is quite true. [Applause.] [Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 7 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, I feel so keenly about some of these specific taxes that we have heretofore applied against industry that I do not mind going on record at this particular moment and saying that as an individual taxpayer I would be delighted to see the industries in the form of proprietorships, corporations, and partnerships in this country placed in a more favorable position, even if it should result in my being taxed as an individual 25, 50, or 100 percent more. Therefore, I wish to compliment the Republicans and the Democrats on the committee for arranging it so that the industries of this country can carry forward their operating losses even to the end of the second year, as stated in this bill. I believe that is a grand step for this Congress to take.

I also wish to congratulate the committee on the position it has taken in letting the undistributed-earnings tax, which is now applicable, die as of December 31 of this year, so the industries of this country will not be further jeopardized by such an earnings tax as they have been burdened with in recent months and years.

The privilege for corporations to revalue their capital stock upward will in a great many cases assist small and large corporations in meeting their tax obligations and in keeping their businesses going. I do not see any practical way the committee could have permitted the industries to revalue both upward and downward, and I assume that the fact that a taxpayer would be inclined to whipsaw the Treasury is the reason the privilege to revalue upward and downward was not given.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Tennessee.

Mr. COOPER. The gentleman is correct in his analysis of the situation. The capital-stock and excess-profits tax yielded last year approximately \$175,000,000 in revenue. Of

course, we could not lose that revenue without greatly increasing the normal corporation rates. At the same time, if we allowed corporations the opportunity to redeclare their value downward, we would naturally sustain a great loss of revenue. The treatment here given does give them relief as to the excess-profits tax, which will, of course, be of great assistance to them.

Mr. CRAWFORD. I appreciate what the gentleman has said.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. And the 2 years is practically 3 years because there will be a revaluing in the year 1941.

Mr. CRAWFORD. That is correct, as I understand the bill.

I am not as optimistic about the privileges extended corporations with respect to buying their own securities as is the gentleman from Virginia. I believe that as we move down the road we will find this privilege will be capitalized on very, very little by the private industrial concerns, outside of the railroad class. I believe the R. F. C. will find that it will make an exceedingly small number of loans to corporations in this connection and which can make the showing that is necessary to be made in order to get the privilege of purchasing their outstanding obligations without having to be taxed on the paper profit that is picked up in the liquidation of the obligation outstanding.

So, personally, I do not anticipate any material relief, but I am delighted to find that provision in the bill because I think it will materially help the railroad situation and, particularly, those companies that are in process of reorganization and those that will have to be reorganized at some subsequent date.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. JENKINS of Ohio. I agree with the gentleman and I want the gentleman to know that there was not general unanimity of opinion on this point, but most of the Members thought it would help the railroads, because all of them can qualify now by showing they are in this kind of condition.

Mr. CRAWFORD. Surely, and it is almost inconceivable that the management of an industry that has its back right up against the wall and fighting will go out and recommend to the R. F. C. or to its board of directors or its stockholders that money should be taken out of working capital and applied against the purchase of some obligation not yet due. They simply do not play the game in that manner, and I repeat that I do not expect any material assistance from this provision insofar as the average corporation is concerned.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. TREADWAY. The gentleman has not referred to putting these changes into operation in the present year. The gentleman is thoroughly in accord with the Republican position on that point, is he not?

Mr. CRAWFORD. I regret very much that this does not retroactively date back to January 1, 1939, so as to enable business to pick up as much as it can between now and December 31.

On the question of capital gains I am delighted to find those provisions in the bill.

On excise tax versus direct tax, I wish I had the privilege to vote this afternoon in favor of the President's proposal, which I understand is in a rough form to spread our tax base and, if necessary, to increase the tax rate on those who have salaries such as we have here as Members of Congress, provided we could do away with all hidden taxes, excise taxes, and luxury taxes; in other words, I wish that my brothers and sisters and my nephews and nieces all had to pay a direct

tax, having first prepared a personal income tax, and then be forced to walk up and pay tribute to their Government.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. CRAWFORD. I do not know of any way to make better citizens out of them, and if we could get rid of hidden taxes, excise taxes, and luxury taxes, and put it in the form of a direct tax and thereby inform the people of their actual taxes, I would be delighted to go along with such a proposition.

Just one other thought; I do not want our friend, Johnny Hanes, to receive praise and glory only from the Democratic side. I think it was a godsend when he landed in the Treasury Department. I hope he will have the courage to stay there through this administration and through the administration to come, because I believe that his contribution to the affairs of Government is worth a very great deal to our people at the present time. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Virginia [Mr. DARDEN].

Mr. DARDEN. Mr. Chairman, the point I am going to speak on for a very short moment deals only indirectly with this bill. It touches upon an amendment which, unfortunately, the committee felt unable to consider at this particular time.

The tax bill of 1936 carried a provision which permitted for the period of 1 year the payers of the processing taxes heretofore levied and paid to enter the courts of the United States and ask for a refund. There were literally thousands of people throughout the country, small business firms and farmers, who were not advised of this legislation in time to test their rights in the courts. There are approximately 11 bills pending before the Congress today asking that this privilege be reextended to those affected.

I do hope the committee, once this pressing business is passed, will give us an opportunity to be heard on this matter and a chance to present our case. The Treasury in their observations have stated that the measures will entail, probably, a charge of one-half billion dollars against the Government. I doubt seriously that this is accurate. I think the sum is altogether too large, but whether it is too large or not is beside the point. A citizen of the United States should have the unquestioned right to appeal to the courts of the country to determine whether or not he has been justly or unjustly taxed, and if he has been unjustly taxed, he should be given the right to a remedy that would force the Government illegally taking his money from him in the form of an unconstitutional tax to refund it to him. The Government should not be allowed to hide behind a statute of limitation in order to avoid the payment of a just debt.

I want to thank my colleague, the gentleman from Virginia, WILLIS ROBERTSON, for his kindness in granting me a part of his time for the presentation of this important matter. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 6 minutes to the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, during the course of his remarks this afternoon the gentleman from Massachusetts [Mr. TREADWAY] stated that there were two entirely different parts to this bill, one of which might be emergent, the extension of the existing excise taxes, although he expressed his dissent to such extension, and the remaining portions of the bill. I would not like the Committee to go into the reading of the bill and voting on possible amendments without a statement from the majority side of the committee in contradiction of the statement the gentleman from Massachusetts made.

The committee has recognized that there are certain conditions which have arisen as a result of two decisions in the Supreme Court and one decision in a district court that have made it vital, in the interest of the Treasury as well as of individual and corporation taxpayers, to enact remedial legislation immediately.

As a result of these decisions the committee found that the Commissioner of Internal Revenue was actually holding up deficiency assessments against individual taxpayers in some thousands of cases pending any action by Congress on these matters. While on the one hand the Commissioner would be obliged to levy assessments against the taxpayers as a result of both of the Supreme Court decisions other taxpayers might find themselves in the position where they could successfully file claims for refunds from the Treasury. It is quite possible that the Supreme Court decided rightly, according to the way the law was phrased in these two cases, both of which I wish to discuss somewhat briefly, but in each case the Court overturned what had been the uniform policy and consistent practice of the Treasury Department since the particular sections of the income-tax law under which the decisions were rendered were enacted. In the case of the *United States v. Hendler* (303 U. S. 564 (1938)), the Court in interpreting the reorganization sections of the income-tax law as it applies to corporations determined that when a corporation taxpayer's liabilities are assumed by another party in what is otherwise a tax-free organization, gain should be recognized to the extent of the assumptions. Hitherto it has been the policy in our income-tax law to give proper consideration in connection with these reorganizations by postponing the recognition of gain realized in such transactions. That is to say, the law provides that such gain is only taxable if the corporation reorganizing or merging receives money or property other than stock in the new or reorganized corporation. The practical effect of the *Hendler* case is to say that an assumption of a liability is property in the sense that it may be taxable immediately to the first corporation.

In typical transactions changing the form or entity of a business it is not customary to liquidate the liabilities of the business, and these liabilities are almost invariably assumed by the new corporation or the one continuing the old business. The interpretation placed on the existing law by the United States Supreme Court, in the opinion of your committee, is too broad, and we have, therefore, recommended that bona fide transactions of this type shall be carried on hereafter without the recognition of immediate gain taxable to the corporation going through reorganization.

We have safeguarded this provision, which is to be found in section 213 (a), by providing that the committee's interpretation shall not apply where it appears that the principal purpose of the taxpayers, whose liabilities are assumed or who transfer property subject to a liability, was to avoid Federal income tax on the exchange or was not a bona fide business purpose.

Furthermore, we have provided that in the determination of the basis under section 113 (a) (6) of the Internal Revenue Code any liabilities of the taxpayer assumed by the transferee or to which the transferred property is subject shall be considered as money received by the taxpayer upon the exchange. Hence it would be applicable in the reduction of the basis of the property received by the taxpayer on the exchange.

In *Koshland v. Helvering* (298 U. S. 441) and *Helvering v. Gowran* (302 U. S. 238) the decisions of the Supreme Court again overturned what had been a uniform construction of the Treasury in respect to the basis for imputing gain or loss to the taxpayer upon his selling or exchanging stock or stock rights which had been distributed to him as dividends by some corporation. From 1921 to 1934 the revenue acts provided that a stock dividend should not be subject to tax. The Treasury construed these facts to mean that the basis in the taxpayers' hands of the stock in respect of which a distribution in stock or rights to acquire stock of the distributing corporation was made was to be allocated proportionately between such stock and the stock or rights distributed.

But in these two cases the Supreme Court denied the validity of this construction and held that no part of the cost of the stock in respect of which distribution was made was to be allocated to the stock or rights distributed. Hence the basis of the distributed stock or rights would be zero, and the basis

of the original stock is whatever it would have been if no such distribution had been made. Obviously this rule would produce gross inequities to taxpayers and the Government alike and would result in both claims for refunds and deficiency assessments alike, according to how the distributee might or might not have disposed of either his old or new stock.

The provisions to which I refer are to be found in section 214 of the pending bill. I may add that both the provisions in sections 213 and 214 were urged by the Treasury Department, the American Bar Association, and the Chamber of Commerce of the United States. As far as the committee can find out, there will be no loss of revenue to the Government by the adoption of these two sections, but great inequities will be prevented. The fact that I want to emphasize is that these two corrections are emergency matters and if they are not incorporated in the present bill thousands of people will pay penalties that they could not have anticipated by any line of reasoning, and in many cases the Treasury itself will suffer a definite loss of revenue.

Now, there was also another court decision—a district court decision—which was brought to the attention of the committee—*United States v. Rosenfield* (26 F. Supp. 433). This case held that a bona fide purchaser for value of shares of stock from a seller against whom a notice of lien for Federal income taxes had been duly filed prior to the sale of the stock took subject to the lien, even though the purchaser did not have notice or knowledge of the lien. Now, it is all right for the statute to provide that the filing of a notice of a tax lien should constitute notice generally in the case of real property, but, in the opinion of the Ways and Means Committee, it is inequitable for the statute to provide that it constitutes notice as provided securities. It is obviously impossible for a purchaser or a broker to check all the offices in which a notice of the tax lien may be duly filed to determine whether any security is subject to such a tax lien. Similarly, direct sales and over-the-counter transactions in securities are likewise affected. The negotiability of securities would be seriously affected by the interpretation the court gave in the *Rosenfield* case. Yet there is no doubt in the mind of the committee that the court rightly interpreted the existing law, and, as this lien law was enacted many years ago, it certainly cannot be charged against the present administration. Again I say what we are trying to do is to remedy the situation. It is important that negotiable securities be negotiable immediately, and the proposal of the minority that this remedial legislation, as well as that contained in these sections to which I have previously referred, should be postponed is simply an indication that they do not understand what emergency relief is actually contained in the bill.

Others have covered the subject of the relief to corporations in connection with the discharge of their indebtedness, which is estimated will result in the saving of some \$90,000,000 a year interest.

I trust that I have brought home to the Committee the point that I had in mind—that titles II and III and IV, as well as title I, need to be enacted at the earliest possible moment.

Mr. McCORMACK. The Hendler case refers to a law passed in 1924 and the Koshland case relates to several laws passed from 1921 on.

Mr. BUCK. Yes.

Mr. McCORMACK. And in the other case, the *Rosenfield* case, it relates to a law passed over 60 years ago.

Mr. BUCK. Yes.

Mr. McCORMACK. And our friends in their report say that they are correcting something that the New Deal did.

Mr. BUCK. I thank the gentleman for that suggestion. Of course the New Deal had nothing to do with these decisions. It is trying to remedy their effect. The point I make is that these people who were the victims, if I may use that term, in view of the decisions of the courts in these cases, would have had to pay, literally, hundreds of thousands and perhaps millions of dollars in taxes if we did not act immediately. Certainly, under the Hendler case, I know the

deficiency assessments would have run into millions of dollars. The New Deal did not write the laws under which these assessments would be levied, either.

Mr. JENKINS of Ohio. The gentleman surely could not expect us to correct all of the mistakes of the New Deal in one session.

Mr. BUCK. And I have not heard the gentlemen on the minority side suggest any legitimate procedure we were not willing to accept. I am sure he is for these remedial measures.

Mr. REED of New York. I think that we ought to be exact. We are attempting to correct what the New Deal Supreme Court has done.

Mr. BUCK. Oh, I would not say that. It only interpreted the laws it found; we aim to correct them.

Mr. DISNEY. The gentleman said that the Treasury recommended this corrective legislation.

Mr. BUCK. Yes. I should say in addition to that, that I can point out to the committee that the loss is not only to the individual and corporate taxpayer who would be the victims of these assessments, but in many cases the Treasury itself would have had to pay refunds, particularly under the Koshland decision, where the basis of stock dividends was revised under the Supreme Court decision and the taxpayer could claim refund against the Treasury. I do not want to take up the time of the Committee this afternoon, because these are rather technical questions, but you gentlemen will find them discussed thoroughly and completely in the report on the pages beginning on page 18 and running through page 26.

Mr. LEWIS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. BUCK. Yes.

Mr. LEWIS of Ohio. In section 215 I see the term used—the taxpayer was in an unsound financial condition.

The committee is introducing that term, "unsound financial condition," which is a new term to the law, without defining it. Does the gentleman not think there should be a definition of that?

Mr. BUCK. No, I do not; because this is not a case where you would have to go into a bankruptcy court or any other court. What we are trying to do is to keep these corporations out of a position where they might have to take advantage of the Chandler Act or section 77B, and, therefore, we leave this to the discretion of the Commissioner of Internal Revenue. If it is found to his satisfaction that they are in an unsound condition and perhaps if their bonds are selling away below par it might be taken as evidence of such a condition, they are to be given this relief. I do not think the committee should define the term.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON. Mr. Chairman, during the opening remarks of the discussion this afternoon, the gentleman from Massachusetts [Mr. McCORMACK] called attention to the minority views as they are presented in this report. The statement I am about to read from the majority report is not a misstatement, but it holds out a very subtle hope, in fact, I am afraid it is a forlorn hope, and I want the gentlemen of the committee to notice this statement. They were discussing the continuance of the excise taxes and these are the words that I find:

But their extension for 2 years will not preclude action by the Congress to remove or revise them earlier if the condition of the revenue permits.

I assure you that every citizen of this country hopes that that situation will prevail, but I do not think the majority would contend this afternoon for 1 minute that there is any possibility of removing these taxes within the next 2 years.

Mr. DISNEY. Will the gentleman yield?

Mr. CARLSON. I yield.

Mr. DISNEY. The gentleman was not a member of the committee last year, but you will recall that this very committee recommended that some of these nuisance taxes be removed last year. So that it is not such a forlorn hope, since it was within 12 months of the time when we did take off some of these taxes.

Mr. CARLSON. That is a very fine statement of past performance, and I have a very high regard for the gentleman from Oklahoma, but I do not believe that he or this committee wants the impression to go out to the country that we are going to remove these excise taxes in the near future. I wish we could.

Mr. DISNEY. Then that brings up another question, if the gentleman will yield further. You say in the minority report, on page 55, that you want title I stricken out. You do not mean that?

Mr. CARLSON. We certainly do, and sincerely wish that business was such that our tax burden could be met without excise taxes.

Mr. DISNEY. I want to know if you meant that you wanted to take \$550,000,000 out of the Budget and then the day before talk about balancing the Budget? Do you mean to strike out title I?

Mr. CARLSON. Just to show how much we mean to remove it, I want to call the gentleman's attention to some of the excise taxes that are bearing down upon industry.

Mr. DISNEY. Would you prefer not to answer my question?

Mr. CARLSON. I will answer by calling to the attention of the gentleman from Oklahoma [Mr. DISNEY] the serious effect of excise taxes on the oil industry. In our section we have a great oil business. These excise taxes bear down heavily on the oil industry in the United States. For instance, for every permanent employee of the Continental Oil Co. \$4,330 was collected in taxes during the year 1938. Think of that. Over \$4,000 collected for every permanent employee of the Continental Oil Co. That is representative of the taxes paid by all oil companies. A total of \$22,059,252 in taxes, representing \$4.70 for each share of stock outstanding. That is a burdensome tax and we would all like to remove it, but I do not believe any of us think it can be done this year. Despite this fact, gasoline prices continued to decrease in 1938.

Mr. DISNEY. Will the gentleman yield further?

Mr. CARLSON. I would rather not yield just at this time. Let me finish this statement, please.

The tax burden on gasoline continues to increase. The total tax exceeded the total pay rolls of the Cities Service Co. and its subsidiaries. The Phillips Petroleum Co. reports that the total taxes collected from the company on its products in 1938 exceeded by more than \$7,000,000 the combined amounts paid in wages to employees and dividends to stockholders.

I could continue with these reports, but as I stated, we are concerned about the ever-increasing tax on this industry. We are in for a heavy tax burden in this country. We have labored for so many years with an unbalanced Budget that we forget the fact that from 1920 to 1930 we did have a balanced Budget in this Nation. In 1919, at the close of the World War, we had a national debt of \$25,482,034,419. We not only kept our Budget balanced from 1920 to 1930, but we had reduced our indebtedness to \$16,185,308,299 by 1930. I, for one, do not believe we are going to spend ourselves into prosperity, nor do I believe we are going to borrow ourselves into prosperity. We must build on a sound fiscal policy.

The national debt has increased from \$16,000,000,000 to approximately \$45,000,000,000 since 1930. I am advised that if we started trying to take up this national debt which we have incurred in the last 10 years at the same rate that we were taking up our national indebtedness from 1920 to 1930, it would take 33 years' time to do it. Therefore our future for having tax reductions is not very encouraging.

I want to say that, as far as I am concerned, I believe we must have a tax-conscious people before we will ever

have tax reductions. You have heard discussions this afternoon about demands from home. We are all faced with that situation, but we must have a tax-conscious people first, and then we will start balancing the Budget, or at least reducing expenditures.

I am informed the State of Colorado has an assessed valuation of all of its mines, factories, homes, and business properties of \$1,000,000,000. In the last 10 years we have spent, so to speak, twenty-some billion dollars of borrowed money or 20 States the size of Colorado. I do not think we can continue spending taxpayers' money at that rate without serious consequences. It is a deterrent to business.

Mr. CRAWFORD. Will the gentleman yield to me?

Mr. CARLSON. I yield.

Mr. CRAWFORD. One reason why we cannot spend our way into prosperity is this: For 10 years at a time, and for only 10 years, the Government has been able to compile comparable figures on national income. The first 5-year period which starts with 1929, ending with 1933, shows an average of \$57,000,000,000 annual income. The last 5-year period showed an average of \$61,000,000,000 per annum national income, and the difference between the two is approximately \$4,000,000,000 deficit which we have put in; so where is the spending program taking us other than to damnation?

Mr. CARLSON. I thank the gentleman for his contribution. We have the impression that because of the reduced national income we are not collecting as much in taxes as we used to. The truth of the matter is more Federal revenue was collected in the form of taxes in 1938 than in any other year, notwithstanding the fact that Government spending has increased and that we have enormous deficits. Let us reduce Federal expenditures and make an honest effort to balance the Budget.

Mr. Chairman, I yield back the balance of my time.

Mr. TREADWAY. Mr. Chairman, I yield the balance of my time to the gentleman from New York [Mr. REED].

The CHAIRMAN. The gentleman from New York is recognized for 12 minutes.

Mr. REED of New York. Mr. Chairman, I want to take this occasion to remind the House that the Ways and Means Committee has been a hard-working committee since the first of the year. I think I can see a look of relief coming over the benign countenances of many of the members of the committee now that this bill will soon be in its final stages as legislation. It has been a terrific task. Before I proceed further with what I shall have to say with reference to the provisions of this bill I do want to compliment the chairman and the members of the majority for the fairness with which the minority has been treated. I also want to pay my respects to Under Secretary Hanes, who certainly made a great contribution to the committee. He is fair, he is well informed, and I think he looks at things from a business point of view.

The revenue bill now before the House for consideration is the eleventh tax measure this administration has presented since 1933. These exactions from the pockets of the taxpayers have been made necessary because of the program of extravagance inaugurated under the leadership of the greatest spender of public funds in peacetimes in all history.

Omitting from our calculations the revenue this bill will raise, there has been collected in taxes by this administration up to and including June 14, 1939, the sum of \$28,651,788,714.

This amount, though staggering and almost beyond comprehension, does not record by any means the extent to which this administration has perfected the technique of drawing upon the resources of the public for funds to squander and dissipate for fantastic projects, including the use of revenue to obtain and then retain political power. This statement needs no amplification or bill of particulars since the disclosures of waste and corruption made during the debate on the so-called relief bill. The facts, now a matter of public record, fully support the charges of extravagance in the use of public money.

In addition to present taxation as a source of revenue for the new dealers to spend, there has been developed the fine

art of borrowing, the painful effects of which the administration hopes can be deferred and therefore reserved for a generation, not now of voting age, to endure.

Speaking of borrowing, I ought to refresh the recollection of those who have some concern for future generations that aside from the \$28,651,788,714 collected under the revenue bills prior to the one before us this administration has obtained by this method \$19,425,438,281. Thus in 6 years, up to and including June 14, 1939, there has been raised by taxation and by borrowing a total of \$48,077,277,005, all of which has been spent.

I may say that this revenue bill is a vast improvement over preceding revenue measures enacted under this administration. The improvements that appear in it, however, are the result of the unrelenting fight of the Republican minority to obtain them. In this connection I am sure that no fair-minded member of the Democratic majority would wish to challenge the wisdom of eliminating the last vestige of the undistributed-profits tax. It is most unfortunate that many business concerns had to be driven into insolvency and 4,000,000 men and women made idle in 1937 to bring this belated relief to industrial enterprise and their employees.

The Republican minority fought this proposal when it was first made in 1936 and again opposed it when the unsound principle was later embodied in the 1938 Revenue Act. The Republican minority warned, then, by calling attention to what we said in 1936 as to the devastating effect such an instrument of reform, rather than a means to obtain revenue, would be likely to have on business and employment.

I repeat what the Republican minority of the Ways and Means Committee said in 1936 as a danger signal to be observed by these reformers who may be inclined to turn to such an expedient in the future. The report said this:

1. Discourage and possibly prevent the accumulation of adequate rainy-day reserves and constitute a direct threat to the security of business, employment, and investments.
2. Cause corporations to restrict the distribution of their existing tax-paid reserves, which could only be rebuilt under penalty.
3. Discourage business rehabilitation and expansion and have a retarding effect upon recovery and reemployment.
4. Hamper the growth of small corporations, impede the development of new enterprises, and foster monopolies.
5. Put a penalty on prudence and a bounty on improvidence and constitute an unwholesome interference with the exercise of sound judgment in the management of business.
6. Accentuate the extremes of future booms and depressions.
7. Oppress business burdened with debts and result in a restriction on corporate credit.
8. Drive capital out of productive enterprise into tax-exempt securities.
9. Violate every sound principle of income taxation, be arbitrary and oppressive in its operation.
10. Crucify financially weak business enterprises, while permitting strong to minimize or entirely escape the tax.
11. Create iniquitous and unfair competitive situation which would be far greater and more real than the imaginary ones purported to correct.
12. Result in the double taxation of all dividends paid out of revenues, whether accumulated in the past or in the future.
13. Abandon an assured revenue of \$1,100,000,000 annually for one purely speculative and uncertain, and which promised to be more disappointing in amount, thereby further jeopardizing the Federal revenue.

It is unfortunate that this bill cannot restore to life the small concerns that were destroyed by the 1936 Revenue Act, but the removal of the unsound principle from the bill now before the House is some assurance to surviving concerns that the damage from such a method of industrial discipline has been eliminated.

I assume that many persons who have been irritated and bedeviled by nuisance taxes will be disappointed at the provision extending these taxes 2 years more. It is only natural that they should be disappointed, but they should not be surprised. There must come a time when even the most credulous will no longer rely on political promises. I am sure that after more than 6 years of bitter experience under a regime that has developed tergiversation into a fine art, intelligent citizens throughout the country will no longer be deceived or seduced by promises emanating from such a source. After assurances from the administration

and the majority that the irritating nuisance taxes would be lowered or repealed, this bill extends them for 2 years more. These taxes have been extended every 2 years since 1932. Just so long as the administration refuses to reduce expenditures, nuisance taxes and other exactions will continue to plague and bedevil those who have anything left to tax and those who "pay them in the sweat of their brow."

Speaking for one member of the minority, I wish to commend the majority for permitting the minority to make such improvements as now appear in this bill. I hope it will set a precedent which the majority will follow between now and December 31, 1940. If you do, it will add to your prestige and save the country from many heartaches resulting not from willful mistakes but from chronic Democratic incapacity to legislate independently and constructively. I believe it is beginning to dawn even in the benighted circles of the New Deal that the people had a reason for sending Republican recruits to the Seventy-sixth Congress. The people have never failed to send a Republican majority to Congress whenever either the safety or the solvency of the Republic has been threatened. [Applause.]

I am sure that when the citizens see how much can be accomplished that is good by a few Republican recruits, there will be a wholesome majority of them sent here in 1940.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The gentleman from New York yields back 1 minute.

Mr. DOUGHTON. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from North Carolina is recognized for 10 minutes.

Mr. DOUGHTON. Mr. Chairman, I heartily endorse and am in full accord with what the previous speakers have said with respect to the fine cooperative service that has been rendered by the Secretary of the Treasury, Mr. Morgenthau, and Under Secretary Hanes in the preparation of the tax bill now under consideration. Their profound knowledge of the subject, their continuous efforts in assisting in the preparation of this bill have been invaluable, and too much credit cannot be accorded them for the part of the work they have done.

Tax bills ordinarily are written for the purpose of raising additional revenue. This, however, is not the main purpose in the bill now under consideration. The chief purpose of the bill is, as far as reasonably possible, to give relief to the business interests of the country; and I believe when fair consideration is given to what was done in the social-security bill and what will be provided in this bill when it is enacted into law, that all fair-minded people will decide that we have gone as far as it is reasonably possible at this time in giving encouragement to business by removing any deterrent that may exist in our present tax laws.

The Republicans in the minority report take credit for practically everything that is proposed to be done in this bill, and claim that their insistence, or something that they have said or done, has influenced the majority to take the action that was taken. The Republicans always know how to run the country when they are not in power and they always know how to run the country into the ground when they are in power. It seems to me that it takes a good deal of temerity for the party that left the country in the condition we found it in 1933 to criticize whatever we do. We inherited the worst legacy of evils that it ever fell the lot of any administration to correct.

That is the chief reason for our party having so much trouble with matters of taxation. One of their chief subjects of complaint is the undistributed-profits tax, and my friend from Ohio [Mr. JENKINS], an able member of the minority on our committee, waxed eloquent and emotional talking about the nefarious undistributed-profits tax and how it had harmed the business of the country. Facts are always to be relied upon rather than loose statements. In order to show how this so-called nefarious undistributed-profits tax hurt the country I would like to give some statistics showing

the condition of the country in 1932, the last year of the Hoover administration, and 1936, the fourth year of the present administration and the first full year of the operation of the undistributed-profits tax.

Let us take a look at the record and see how disastrous this and other New Deal laws have been to business. I do not know of a better barometer than the facts stated by the taxpayers themselves in their tax returns; so a comparison of business conditions existing in 1932, the fourth, and, thank God, the last year of the Hoover administration, with 1936, the fourth year of the present administration, and the first full year in which the original undistributed-profits tax was in effect, might shed some light and wisdom to our Republican brethren. First, we will take the returns filed by all corporations and look at just a few of the items as shown by the statistics of income, which I think we all will agree reflects business conditions accurately.

Gross sales in 1932 amounted to \$53,099,401,000 and in 1936 they were \$100,585,887,000, an increase of 89.4 percent; total compiled receipts in 1932 amounted to \$81,637,988,000, whereas in 1936 they amounted to \$132,722,602,000, an increase of 62.6 percent. In 1932 all corporations had a deficit of \$3,829,342,000, whereas in 1936 the Roosevelt administration's tax laws were so disastrous that they resulted in all corporations showing a profit of \$7,770,887,000. Their predictions were pathetic rather than prophetic. Now let us take a look at the data shown from tax returns filed by individuals: In 1932 individuals reported income from wages and salaries amounting to \$8,136,717,000, whereas in 1936 wages and salaries amounted to \$11,661,274,000 and in 1937, as shown by the preliminary statistics, they amounted to \$14,028,788,000. Income from business in 1932 amounted to \$1,294,952,000; in 1936, \$2,374,258,000; and in 1937, \$2,520,825,000. Income from partnerships in 1932 amounted to \$482,863,000 and in 1936, \$1,022,288,000, and in 1937, \$1,162,216,000. Total income reported by individuals in 1932 amounted to \$14,392,080,000, whereas in 1936 it amounted to \$21,888,373,000 and, in 1937, \$24,271,501,000, an increase of 68.6 percent.

I shall not further discuss conditions existing under Mr. Hoover in 1932 lest I embarrass my Republican friends who are now posing as the only friends of American business.

Mr. Chairman, the undistributed-profits tax has been allowed to expire. I shall always believe there was an element of soundness in the undistributed-profits tax, but the corporations believed it was prejudicial to their interests. As chairman of the Committee on Ways and Means, I have little complaint as to the operations of the undistributed-profits tax as the law now stands, but the fears of the corporations were that it would spread or be increased. Therefore, they desired that it be repealed; and if they were willing to pay a similar amount of tax in some other form, so far as I was concerned I was willing for them to do so. I said, "All right; if you think it will help business and you are willing to pay a similar amount of taxes in some other form, we will give you the opportunity to try it out."

Mr. Chairman, I hope the relief contained in this bill, together with that in the social-security bill, which recently passed the House, will give business the green light and it will go forward with the full assurance that the Government is anxious to aid in every way reasonably possible.

[Here the gavel fell.]

The CHAIRMAN. All time has expired.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that the bill may be read by title.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee [Mr. COOPER]?

There was no objection.

The Clerk read as follows:

Be it enacted, etc., That this act may be cited as the "Revenue Act of 1939."

TITLE I—EXCISE TAXES AND POSTAL RATES

SEC. 1. Continuation of excise taxes and postal rates.

Sections 1700 (a) (1), 1801, 1802, 3403 (f) (1), 3452, 3460 (a), 3465, 3481 (b), and 3482 of the Internal Revenue Code are amended by striking out "1939" wherever appearing therein and inserting in lieu thereof "1941." Section 1001 (a), as amended,

of the Revenue Act of 1932, and section 2, as amended of the act entitled "An act to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes", approved June 16, 1933, are further amended by striking out "1939" wherever appearing therein and inserting in lieu thereof "1941."

Sec. 2. Sporting arms and ammunition tax.

Section 3407 of the Internal Revenue Code (relating to the tax on firearms, shells, and cartridges) is amended by adding at the end thereof the following new paragraph:

"The provisions of section 3452 (relating to expiration of taxes) shall not apply to the tax imposed by this section."

Mr. TREADWAY. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. TREADWAY: Beginning on page 1, line 5, strike out all of section 1 and insert in lieu thereof the following:

"Sec. 1. Continuation of import taxes.

"Subchapter B of chapter 29 of the Internal Revenue Code (relating to import taxes) is amended by adding at the end of part I the following new section:

"Sec. 3426. The provisions of section 3452 (relating to expiration of taxes) shall not apply to the taxes imposed by this subchapter."

Mr. TREADWAY. Mr. Chairman, the purpose and effect of this amendment is to allow the nuisance taxes and the extra 1-cent postage rate to expire at the close of this fiscal year, June 30, but to continue indefinitely the import excise taxes on petroleum, coal, lumber, and copper. The amendment will not affect the provisions of section 2 of the bill, which make permanent the tax on sporting arms and ammunition, the proceeds of which go to the support of the Wildlife Conservation Act.

Mr. Chairman, in order to expedite time and the consideration of the bill, I ask unanimous consent to extend my own remarks at this point on the amendment which I have just offered.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts [Mr. TREADWAY]?

There was no objection.

Mr. DONDERO. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Michigan.

Mr. DONDERO. What is the amount of tax on sporting goods now under the bill?

Mr. TREADWAY. The gentleman from Virginia [Mr. ROBERTSON] is more familiar with that than I am.

Mr. ROBERTSON. For the first 8 months of this year the tax amounted to approximately \$2,000,000.

Mr. DONDERO. What is it in percentage?

Mr. ROBERTSON. Ten percent.

Mr. TREADWAY. That is an item on which we are all agreed. I am not taking any exception to that revenue going directly to wildlife conservation.

Mr. MURDOCK of Arizona. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Arizona.

Mr. MURDOCK of Arizona. Will the gentleman repeat just what items are not affected here?

Mr. TREADWAY. The items not affected by the repeal are the import excise taxes on petroleum, coal, lumber, and copper. Those would be made permanent under my amendment.

Mr. HARTER of Ohio. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Ohio.

Mr. HARTER of Ohio. Is it the purpose of the gentleman's amendment to continue the excise taxes with the exceptions he has named for the fiscal year ending June 30, 1940?

Mr. TREADWAY. No. My amendment is directed to allowing the nuisance taxes to expire on June 30 this year.

Mr. COCHRAN. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Missouri.

Mr. COCHRAN. Will the gentleman advise the House just exactly the amount of revenue the Government would lose during the next fiscal year as a result of his amendment, in the event his amendment is agreed to?

Mr. TREADWAY. I cannot give the gentleman the exact figures. It is estimated that so far as the postal item is concerned it would be \$100,000,000 in excess of what it is

actually costing the Government to carry first-class postage. That is an unfair tax.

Mr. COCHRAN. Certainly on an amendment of such far-reaching importance the gentleman should be in a position to give the House information with reference to the loss of revenue.

Mr. TREADWAY. The loss of revenue will be offset, we hope, by economy in expenditures. That is where the savings will be.

Mr. COCHRAN. All we can do is hope?

Mr. TREADWAY. Yes; we cannot do more than hope as long as the gentleman's party is in control.

Mr. COCHRAN. I do not think it would be any better if the gentleman's party were in control.

Mr. TREADWAY. The motion I have made is in accordance with the report of the minority members of the Ways and Means Committee.

The elimination of the nuisance taxes was assured the people in 1934, but the New Deal has ignored that assurance by continuing them 5 years beyond that date and it now proposes to extend them for another 2 years.

Why try to deceive the people? Why not admit that these taxes are permanent for all practical purposes as long as the New Deal remains in power?

These 1- and 2-year extensions are getting to be ridiculous, but the Democratic majority apparently do not have the courage to face the facts and admit that the revenue from these taxes cannot be given up while the New Deal spenders hold the purse strings.

The people in 1932 were promised a reduction in Federal spending and relief from the moderate tax burden then in effect. Instead they have seen the Federal cost of government doubled, to a point exceeding nine billions annually.

They were promised an end to the relatively small deficits which had been incurred in 1931 and 1932, but instead they have seen deficit financing become a permanent New Deal policy.

At the end of the next fiscal year, the New Deal will have increased the national debt from twenty-one billions to forty-five billions. In other words, it will have spent that much more than it has raised in revenue by burdensome taxes on the people, which have been constantly increased since the New Deal has been in power.

The nuisance taxes and the additional 1-cent tax on first-class postage fall most heavily on those with the least means. This administration professes to be interested in basing taxes on ability to pay, but these taxes fall equally on rich and poor.

The relief worker pays a 1-cent tax on the letters he mails the same as the multimillionaire.

He also pays a 1-cent tax on his gasoline, the same as the man who rides in a limousine.

He is taxed at the same rate on his auto tires, on his radio, on his movie ticket, and on his toilet articles as the man with millions to burn.

It is not fair.

These indirect and hidden consumption taxes should be eliminated from our tax system. They should be replaced by taxes based on ability to pay.

As previously stated, the amendment I have offered would allow these taxes and the 3-cent rate on postage to expire at the end of this month.

The import excise taxes, which in reality are tariffs and not taxes, would be continued indefinitely under my amendment.

Under existing law, they are subject to the same expiration date as the nuisance taxes.

We of the minority oppose the extension of the nuisance taxes, and say that as an offset you should economize in government. [Applause.]

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I rise in opposition to the amendment.

As I understood the reading of the gentleman's amendment, it provides for the extension and making permanent of

the so-called import-excise taxes and repeals all the other excise taxes covered in the bill.

Mr. TREADWAY. It allows them to expire.

Mr. COOPER. It allows them to expire. The gentleman's amendment also repeals the increase from 2 cents to 3 cents of the first-class postage rate on nonlocal mail.

Mr. TREADWAY. The gentleman is correct.

Mr. COOPER. Mr. Chairman, the part of the so-called import-excise taxes that would be continued under the gentleman's amendment yields only about \$8,000,000 a year, and most of this money is used in the form of draw-backs, so the Treasury really realizes very little of the tax yield as far as revenue is concerned. This would mean, then, a loss of \$535,000,000 in revenue from the excise taxes and would mean a loss of around \$100,000,000 in the year 1940 on the postage-rate item; so, in effect, the amendment offered by the gentleman from Massachusetts would mean a loss of revenue to the Federal Government of about \$635,000,000. Certainly it is realized by everybody that the Federal Treasury cannot sustain any such loss of revenue as that at this time. Of course, the gentleman offers nothing whatever to replace that revenue, so the simple question is presented here whether the Federal Treasury can now stand a loss of \$635,000,000 in revenue, and I believe the answer is obvious to every Member of the House.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. I call the attention of the gentleman to the fact that these excise taxes were imposed in 1932.

Mr. COOPER. Of course, these excise taxes were imposed in 1932, under the administration of Mr. Hoover.

Mr. TREADWAY. For how long?

Mr. COOPER. Some of them have been repealed from time to time. About nine excise taxes were repealed during the last session of Congress in a bill reported by the Ways and Means Committee.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. The gentleman has made reference to the taxes being imposed first in 1932. I made that statement early in the day. We appreciate that fact, but they were put on then as an emergency tax. There have been extensions for 1 and 2 years regularly since then. Does the gentleman believe it is keeping faith with the people to tell them they are having imposed on them an emergency tax that is going to run only temporarily and then practically make the tax permanent by continuing it from year to year in every tax bill that is brought in? That is one of the reasons I am opposing the continuation of these nuisance taxes.

Mr. COOPER. The reason that has required the extension of these excise taxes applies with the same force and effect today that it has heretofore. We simply cannot lose that much revenue. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. TREADWAY].

The amendment was rejected.

Mr. HARTER of Ohio. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HARTER of Ohio: On page 1, line 10, strike out "1941" and insert in lieu thereof "1940" and on page 2, line 4, strike out "1941" and insert in lieu thereof "1940."

Mr. HARTER of Ohio. Mr. Chairman, the sole purpose of this amendment is to extend these so-called nuisance or excise taxes for a period of 1 year instead of 2 years. The bill, as brought to us by the committee, extends these hidden taxes for a period of 2 years. Under the amendment offered here there would be no diminution of revenue from this source for the next fiscal year.

I believe that all of us who are familiar with these excise taxes realize that while they may be burdensome in the matter of accounting to certain industries, it is the people generally who have to pay these hidden taxes. The money raised, and it is very substantial in amount, is not paid by industry but comes out of the pockets of the taxpayers of this country. On page 15 of the committee's report you will find this language:

Your committee recommends that these temporary provisions be extended for a period of 2 years. These temporary provisions are not regarded as ideal ingredients of our tax structure, but because their administration has been perfected, and because our economy has been adjusted to them, it is deemed inadvisable to sacrifice at this time the revenue they produce.

The committee further states:

Your committee is sensible of the general undesirability of these taxes, but their extension for 2 years will not preclude action by the Congress to remove or revise them earlier if the condition of the revenue permits.

If we keep on continuing these taxes for periods as long as 2 years at a time we shall never get any relief from them. It is true that certain nuisance taxes from time to time have been eliminated but they were not nearly as burdensome to the great majority of the people as some of the excise taxes which are in force today. A glance at these excise taxes past and present is interesting.

I call your attention to the excise taxes that were repealed a year ago:

Tax on furs, tax on phonograph records, tax on sporting goods, tax on cameras, tax on chewing gum, tax on brewers' wort, and the tax on various other articles.

How does this compare with the tax to be continued under the new act on lubricating oils, on gasoline, on electric energy, on tires and tubes, toilet preparations, automobile trucks, passenger automobiles and motorcycles, parts and accessories for automobiles, and radio sets. These are the articles that are used generally by nearly all of the people of this country more or less indiscriminately and these are the products which bear these hidden taxes at this time. Why should they be continued for more than a year?

The great Ways and Means Committee will have ample time within which to go into this matter of a revision of these taxes. I have seen reports in the current press that the chairman of the committee is going to call either his full committee or a subcommittee together during the recess of Congress or after adjournment so that the matter of a revision of these taxes can be considered, and it is generally understood throughout the country and by the press of the country that there should be a revision in this type of taxes. All agree these taxes are unsound in principle. [Applause.]

[Here the gavel fell.]

Mr. KNUTSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I do not think the criticism of my colleagues on the Republican side against the continuance of these nuisance taxes is justified and I say this because the condition of the country and of the Federal Treasury is more serious today than it was in 1932 when these taxes were first imposed.

According to the American Federation of Labor there are more unemployed in this country today than there were in 1932. The national debt is twice what it was in 1932. Today the interest charge on our national debt is over \$1,000,000,000, and as long as this unfortunate situation continues, we must raise money by some means, and I can think of no better way than continuing these nuisance taxes, and I hope my Republican colleagues will desist from any further criticism.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Pennsylvania.

Mr. RICH. It will be impossible for us to get along if we do not have some taxes and get revenue from some place. I agree with the gentleman from Minnesota and while we do not want taxes, if we are going to try to keep this Nation from being sunk, we will have to go along with the gentlemen on the other side to get the taxes. They are responsi-

ble for this great spending spree that we are in, and we would rather have them go ahead and raise the money by taxation than to sink the Nation, and for this reason I say we must go along and collect the taxes. [Applause.]

Mr. KNUTSON. Let me say to my good friend from Pennsylvania that we are going to bale out in 1940, and we are not going to sink unless we get 4 more years of New Deal.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman.

Mr. McCORMACK. Is the gentleman for or against the pending amendment?

Mr. KNUTSON. I am for it.

Mr. McCORMACK. Did the gentleman in committee seek to have them extended for 1 year?

Mr. KNUTSON. I do not think—

Mr. McCORMACK. Did the Republican Members offer any objection to this or make any reservation of objection?

Mr. KNUTSON. No; because the Republicans—

Mr. McCORMACK. It is a rather strange situation when members of a committee sit together and in executive session unanimously agree upon something, and there is no reservation made, to then see the minority come in and take a position in opposition to what they agreed upon in committee.

Mr. KNUTSON. My dear sir, I did not yield for a speech.

Mr. McCORMACK. I have never done that myself.

Mr. KNUTSON. Let me say to the gentleman that I refuse to yield further. My time is almost up, and I want to reply to the gentleman.

Mr. McCORMACK. You did not do it, did you? You did not reserve the right?

Mr. KNUTSON. Mr. Chairman, I refuse to yield further. Let me say to the gentleman from Massachusetts that he entirely misses the point. What I am saying is that these nuisance taxes under present conditions are needed and must be continued because of the extravagance of the New Deal.

Mr. COCHRAN. Then you are going to vote for them?

Mr. KNUTSON. I am going to vote for them, certainly. I have no alternative, as I see it.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I rise in opposition to the pro forma amendment, but I am going to vote for these taxes. We must have money to operate the Government or else it will be wrecked. I am, however, more in favor of stopping the ridiculous expenditures of Government money. The waste and inefficiency in Government at this time is just terrible. We should curb and cut our expenses to the bone or soon there will be no one to pay taxes. Because the Appropriations Committee and because the Members of the House of Representatives and Senate have gone haywire and have spent and spent and spent, I realize that it is very essential in order to maintain our form of government, to have taxes. We are forced into it, we have to vote for that. If we want to be honest, if we want to be sincere, if you want to try to do the right thing, we must go back to the people of this country and say, "You have got to pay the bill for your folly of coming to Congress and asking us to spend this money; you are not wholly responsible for spending this money, but you are responsible for coming in now and saying that you have got to pay taxes." Just because you so foolishly have spent money. Somebody has to pay this bill, and you fellows on the democratic side of the aisle are responsible for spending this money. You fellows are responsible for having your constituents come to us and say, "Give me a handout," and you gave it to them; now you should tell them that they have to pay the bill, and that here is the assessment for your folly of the New Deal.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. RICH. Yes.

Mr. COCHRAN. Will the gentleman put a list in the RECORD of appropriation bills he has voted against?

Mr. RICH. Oh, the gentleman said that he was going to put a list in, and I welcome it. My record is the best of any Member of the House, or just as good. I am proud of it.

Mr. COCHRAN. Oh, no. I do not do that nor did I say I would.

Mr. RICH. Oh, yes; the gentleman did. I want the gentleman to speak for himself. I have voted for hardly any of them, and this is the second time the gentleman has come on the floor and challenged me. I suggest that the gentleman look up the record, and he will find that I am right. A good record for economy in government is mine.

Mr. BUCK. How did the gentleman vote on Friday last on the matter of W. P. A.?

That vote was at 1:15 Saturday morning.

Mr. RICH. I voted for that bill on Friday because you took away a lot of power from the President, and because of the way that you are running this Government I realize that you have to take care of some of the poor people of the country. When it comes to voting, there is not a vote that I cannot explain and sustain, but you fellows have been so wishy-washy and so wobbly that you do not know half the time where you are. [Applause and laughter.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The question was taken; and on a division (demanded by Mr. HARTER of Ohio) there were—ayes 57, noes 83.

So the amendment was rejected.

Mr. COCHRAN. Mr. Chairman, I move to strike out the last word. When this bill was pending in the last Congress I made some remarks on the subject of labor-saving and labor-displacing devices. I had introduced a resolution, referred to the Committee on Ways and Means, which provided for an investigation by the Treasury and other Government agencies to determine to just what extent new inventions had displaced manpower. I could not offer my resolution as an amendment to the bill then, nor can I do it now because it is subject, as I know, to a point of order. When the bill reached the Senate a year ago the senior Senator from my State [Mr. CLARK] added the provision to the bill, but it was eliminated in conference. The explanation I received for that action was it would have a tendency to disturb business. Of course, it would disturb business, but the question is of such importance it cannot much longer be delayed. I admit the thought was in my mind that if the information obtained justified it, consideration could be given to the question of taxing the machines that displaced manpower.

Recently I called attention of the House to the installation of 26 machines in a steel plant in Pittsburgh, which, when operated by 600 men, did the same amount of work as had previously been done by 85,000 men. Who is going to take care of the 84,400 men and their families?

I read in the St. Louis Post-Dispatch of June 18—yesterday—an article telling how machines have finally arrived in the Ozarks of Missouri that are displacing the tiff miners of that section. Ten men operating a machine in southeast Missouri about 40 miles south of St. Louis displaces and equals the output of 300 who used the old method of pick and shovel in mining tiff, which is used in the manufacture of paint. I have visited that section, watched the tiff miners work, looked over their homes, if they could be called such, and I am not exaggerating when I tell you there is hardly a tiff miner's family in Missouri that does not consist of eight—the husband, wife, and six children. That is a fair average. I know this is hard to believe, but, nevertheless, it is the truth. They generally live, the entire family, in one or two rooms.

One old miner, who spent his life at this work, said he knew they could not fight progress, that they could not stand in the way of progress, but, nevertheless, their living was being taken away from them by progress.

Just to show you what happens to the community, I cite the statement that in Washington County, Mo., there is a population of 15,000, and 3,600 are receiving direct relief, exclusive of 600 on W. P. A. and 200 in the Civilian Conservation Corps.

The machines would probably have never been installed had it not been that the miners organized and demanded and secured \$1.50 a ton for that which they mined with pick and shovel. At times it would take the entire family to mine a ton a day.

That you will realize how serious this is I am quoting the article from the Post-Dispatch as part of my remarks. It follows:

MACHINES DRIVE HAND MINERS OF TUFF FROM JOBS—MECHANISM OPERATED BY 10 MEN NEAR POTOMI, MO., ABLE TO DO WORK OF 300 WHO USE OLD METHOD—WASHINGTON COUNTY RELIEF ROLLS GROW—HALF OF POPULATION THERE RECEIVING AID, IT IS ESTIMATED—FINDING NEW EMPLOYMENT A PROBLEM

(By Spencer R. McCulloch)

POTOMI, Mo., June 17.—Progress, in the form of machinery, has cut the ground from beneath the tiff miners of Washington County. Their means of livelihood, precarious at best, is disappearing with increasing widespread use of washers and steam shovels, which strip tiff from the soil, leaving jobless miners in their wake.

Desperate and perplexed, the tiff diggers don't know what to do about it. Relief rolls are mounting. Families are in dire straits. Chances for employment in other fields are negligible. An unskilled generation, brought up to do nothing but dig tiff, finds itself destitute with scant hope for the present and none for the future. But for Government aid, hundreds would find themselves facing actual starvation.

MACHINES DISPLACE MEN

Machine-made gashes upon the red clay hills of this countryside, for generations the center of barite mining in the United States, symbolize the impending end of hand mining of tiff. Miners who were jubilant 4 years ago when they broke precedent and struck and won a \$1.50-a-ton increase in pay find themselves disunited now when confronted with an economic problem affecting the entire community. A major national social problem—the displacement of men by the machine—has found complete expression in the confines of this rural county.

Capacity of mechanized outfits differ with size. They cost from \$6,000 to \$20,000. Some operators run several of them. It is estimated that 1 mechanized outfit, employing a crew of 10 men in an 8-hour day, can duplicate the work of 300 hand miners and send cleaner tiff to market. Operators, when the market permits, run day and night on three shifts. Mechanical methods also enable the producer to go over land previously mined by the diggers and glean tiff from earth so lean that it wouldn't pay a digger to attempt to mine it. One producer figured on reclaiming 2,000 tons to the acre from such land. The area he was mining resembled "no man's land" in barren reaches of upturned earth and red clay trenches.

RELIEF ROLLS GROWING

Washington County miners, with their market already sharply reduced and every indication it may vanish entirely, are in more desperate straits than ever before. Relief rolls in May increased by 254 families. Another 100 have been added this month. About 3,600 persons in a county of 15,000 population are receiving direct relief, exclusive of 600 on the W. P. A. rolls and about 200 in C. C. C. camps. It was estimated that half the county's population are directly or indirectly dependent upon relief.

All elements, from chamber of commerce directors to tiff miners, indicated that they realized relief funds represent a temporary stop-gap and are appalled at the possibilities if such aid should be discontinued. In the meantime, relief money has created an artificial purchasing power and this county seat looks prosperous, with a new motion-picture theater, hotel, night club, and brick fronts along the main street.

OPERATORS' SIDE OF IT

Operators who have turned to machinery assert that they must compete with mechanized fields. Development of mechanized tiff mining is akin to the growth of strip mining in the Illinois coal fields, which drove thousands of miners from the mines. It is cheaper and easier to mine tiff in large quantities with machinery than by hand. Mechanization, too, at this stage of its development lessens the probability of labor trouble. It is significant that a wider use of washers has come into being in the Washington County field since the strike 4 years ago.

Machinery, in itself, is nothing new in the tiff field. The National Pigments & Chemical Co., a subsidiary of the National Lead Co., which dominates the Washington County field, has operated washers before. So have some other large operators. But until now the hand miner found a ready market for his tiff. Before the 1935 organization—something new in the tiff fields—competitive conditions were different. It was nearly as cheap to buy hand-mined tiff. The mineral itself was quickly mined by hand. Now many surface veins have been depleted. The miner accumulates dead-time sinking shafts, which often lead to nothing.

WASHERS IN GENERAL USE

Now washers are coming into general use. Small operators have purchased outfits. The market is being glutted. The hand miner is being frozen out. Increasingly, operators aren't buying hand-mined tiff. Their machines and relatively small crews do the work.

Operation of a typical washer is simple. An ordinary gas or steam shovel fills a truck with tiff-laden dirt in jig time. Three big scoops,

3 minutes, and the load is ready to go to the washer. A ton of clean tiff usually is derived from four such truckloads.

The truck is driven over a grating at the washing plant. There its load is dumped. It passes through to a sort of paddle wheel, known as a log, swirling in water under high pressure, which throws the dirt and water one way and diverts tiff and gravel against a big breaker. The breaker, resembling a revolving boiler with holes punched in it, crushes and washes the tiff and separates it from the gravel. The crushed tiff, still in need of processing, pours from chutes like streams of white marbles.

COMPANY CUTS PURCHASES

More than ever the lead company, as it is generally termed here, represents a crucial factor. It is the major market for most producers. And it is still buying tiff from about 600 miners who dig on its property. It is paying them \$7 a ton—more than they can get elsewhere, and, in the face of impending cuts, has announced it would stand by the 1935 agreement and not institute a cut without 30 days' notice. But on May 1 it cut the quota of its outside purchases by one-third.

Mechanized operators, who sold the bulk of their output to the company, met the cut by curtailing their production and dropping altogether such miners as they had continued to buy from. Stacked about the company's Fountain Farms plant, headquarters of its 10,000-acre tiff field, are 64,000 tons of tiff. That is twice its normal stock pile and is sufficient to take care of its requirements for several years, regardless of labor or market conditions. The company not only converts tiff into a paint base and other commercial uses but holds a patent on a preparation widely used in sealing oil wells. The patent will expire shortly. Possibility of tapping the increasing market in the oil fields may have been an influence in inducing other operators to enter the mechanized field.

MINERS FACE PROBLEM

Tiff miners, nominally members of the International Union of Mine, Mill, and Smelter Unions, a Congress of Industrial Organizations affiliate which absorbed them after the strike, told the writer of their futile fight against the machine. Miners in one section, at Palmer, requiring trucking to the weighing scales, the writer was told, had averaged only about \$4.75 in the last 90 days.

What to do about it? In their hillside shacks and a store used as union headquarters, miners anxiously discuss ways and means. In stores and offices chamber of commerce members mull over the problem. Miners and businessmen met amicably recently in the courthouse and are serving on a joint committee to try to find means of taking care of the unemployed surplus. Thus far no solution has been found.

AS TO THE FUTURE

Ultimate exclusive use of machines, it was conceded by both operators and miners, would result in a relatively small number of men at work steadily at wages ranging from 25 cents to 75 cents an hour and the entire elimination of child labor in the tiff fields. How many of about 3,000 miners in the county would be forced to try to find other work has not been established, although it was regarded as probable that mechanization would not take care of more than a small percentage of them.

Operators, storekeepers, dependent largely on miner trade, are seeking means to divert miners into other industries. Thus far this has been mainly wishful thinking. It is still necessary, usually, to send to St. Louis for a bricklayer or skilled mechanic. A shoe factory was induced to open here after the chamber of commerce had raised a guaranty, but thus far its promises of employment to local men have not materialized. Other suggestions range from raising goats to strawberries.

Ernest Pearce, one of the mechanized operators, is constructing a brick and pottery plant and hopes to furnish employment to some of his miners displaced by the machines. But his individual efforts cannot begin to absorb the surplus even if his expectations are realized.

The plight of the miners was realistically expressed recently by George Bourbon, elderly miner who has spent a lifetime digging tiff. Bourbon arose at a meeting of miners and businessmen, ran his hand through his thatch of gray hair, said: "The washers may be progress. It looks like they have come to stay. We can't stand in the way of progress. But our living is gone."

Mr. Chairman, yes, business no doubt was disturbed at my suggestion, but not half so much disturbed as the workers whose source of employment is taken from them by the labor-saving and labor-displacing devices.

Who, I ask, is going to take care of the men and their large families, not one of which has ever followed any other occupation in their lives?

The answer is the Government, through W. P. A. or some other form of relief.

I hope the Committee on Ways and Means will report out my resolution and let us get the facts. [Applause.]

The CHAIRMAN. The time of the gentleman from Missouri [Mr. COCHRAN] has expired.

Mr. PETERSON of Florida. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, ladies and gentlemen of the Committee, the statement that has been made by my friend the gentleman from Missouri [Mr. COCHRAN] illustrates in that particular section what is being done by labor-saving devices. What he said is equally true with reference to one of the large industries in my district, the cigar industry, and which extends into many other States of the Union.

For a long period of time this industry tried to manufacture the higher priced hand-made cigars, and gradually the competition was such that many were forced to the machine-made cigars to meet ever-increasing competition. The margin of profit became closer and closer, and this brings us to the question of tax relief, and I use this time to call the attention of the House to a bill which I have pending to reduce the tax on class A cigars one-half. Class A represents cigars which are to retail at not more than 5 cents. Now the tax on class A cigars is bringing in about twice what it was originally estimated it would bring, for the reason that at the time the tax was fixed upon the class A cigars, the class A cigars represented only 46.09 percent of the output of cigars in 1926; but the increase is such that today the class A cigar represents 89 percent of all the cigars manufactured. Whereas in the original estimate the great number of class A were originally retailed at 5 cents, today the increase in the lower-priced cigars in class A has been such that the two-for-five and three-for-five cigars are greater in proportion than the 5-cent cigars.

They are today paying the same tax as at the 5 cents originally. I am hopeful that in the course of this Congress we may be able to get action upon that particular bill. I am deeply appreciative of the courtesy which the committee has extended to me. I realize their problem. I realize their problem with reference to the extension of the excise taxes generally, and in this particular bill could not take up all the details of individual cases. However, I wanted to present these facts to you today, so that when the matter does come up you may be familiar with it and help us reduce this tax. The difference in tax means the difference between profit and loss. In some cases it may be the difference which necessitates use of machines; in some cases it may mean the question of the actual continuation in business. Other taxes have since been added to tobaccos and cigars. The point of diminishing returns has been reached. My bill will enable a continuation and the payment of taxes. Unless relief is granted both labor and industry will suffer. These cigar workers are skilled workmen—many too old to learn other trades. Workmen who take pride in their handicraft. Give them a chance. I believe you can see the fairness of the bill. I invite your attention to two tables which I will include in the RECORD. This matter affects many of your States. I hope the committee can help us. [Applause.]

The tables referred to are as follows:

United States production of cigars and percentage of cigar production by classes

[Class A cigars are those which are made to retail for not more than 5 cents; class B, more than 5 cents but not more than 8 cents; class C, more than 8 cents but not more than 15 cents; class D, more than 15 cents but not more than 20 cents; class E, more than 20 cents.]

Year	Cigars weighing more than 3 pounds per 1,000	Cigars weighing not more than 3 pounds per 1,000	Class A	Class B	Class C	Class D	Class E
1926....	6,498,641,000	412,315,000	46.09	13.74	37.56	2.17	0.44
1927....	6,519,005,000	439,419,000	50.17	11.00	36.17	2.18	.48
1928....	6,373,182,000	415,535,000	53.21	9.57	34.60	2.11	.43
1929....	6,518,533,000	419,880,000	56.34	8.50	32.64	2.12	.40
1930....	5,893,890,000	383,070,000	62.30	6.37	29.03	1.95	.35
1931....	5,347,921,000	338,997,000	70.85	3.07	24.32	1.53	.23
1932....	4,382,723,000	278,748,000	79.61	1.13	17.95	1.20	.11
1933....	4,300,045,000	209,515,000	85.64	.74	12.50	1.00	.12
1934....	4,597,192,000	221,411,000	86.21	1.24	11.63	.84	.08
1935....	4,763,884,000	179,233,000	88.13	1.34	9.67	.77	.09
1936....	5,182,899,000	179,054,000	88.05	1.01	10.09	.76	.09
1937....	5,317,437,000	198,890,000	87.95	1.03	10.18	.75	.09
1938 ¹ ...	4,288,918,141		89.00	1.00	9.30		0.7

¹ 10 months.

Cigars weighing more than 3 pounds per thousand: Number removed tax paid, by classes, calendar year 1936, by collection districts and by States

District	Class A (manufactured to retail at not more than 5 cents each) tax paid at \$2 per thousand	Class B (manufactured to retail at more than 5 cents each and not more than 8 cents each) tax paid at \$3 per thousand	Class C (manufactured to retail at more than 8 cents each and not more than 15 cents each) tax paid at \$5 per thousand	Class D (manufactured to retail at more than 15 cents each and not more than 20 cents each) tax paid at \$10.50 per thousand	Class E (manufactured to retail at more than 20 cents each) tax paid at \$13.50 per thousand	Total	Value of stamps used
	Number	Number	Number	Number	Number	Number	
Alabama.....	544,590	600	850			546,040	\$1,095.23
Arkansas.....	579,850	3,825	1,650			585,325	1,179.43
First California.....	36,721,982	314,100	2,530,551	23,100	555	39,590,288	87,289.06
Sixth California.....	10,751,765	591,670	15,107,612	12,650	5,465	26,469,162	99,023.20
Colorado.....	787,795	4,050	91,575	100	100	883,620	2,048.02
Connecticut.....	26,704,485	341,080	6,385,665	900		33,432,130	86,369.99
Delaware.....	180,950	3,600	9,675			194,225	421.07
Florida.....	595,757,501	9,826,124	92,929,054	21,838,488	280,137	720,631,304	1,918,724.62
Georgia.....	11,627,077	8,375	489,780	26,525		12,151,757	26,006.69
Idaho.....	87,875	16,825	16,825			104,700	259.87
First Illinois.....	20,103,169	459,097	9,902,269	336,775	12,518	30,813,818	94,800.05
Eighth Illinois.....	6,363,570	154,375	298,500			6,816,545	14,683.27
Indiana.....	83,140,940	207,725	14,537,034	8,400	1,375	97,896,474	239,696.99
Iowa.....	3,774,855	243,500	86,150		984	4,105,489	3,724.24
Kansas.....	169,575	300	925			170,800	344.68
Kentucky.....	4,540,600	41,850	228,281		10	4,810,741	10,348.29
Louisiana.....	56,849,126	577,225	14,436,770	72,675	650	71,936,446	188,385.64
Maine.....	1,362,575	113,150	737,515			2,213,240	6,752.17
Maryland.....	12,074,168	251,420	490,311		200	12,816,099	27,356.85
Massachusetts.....	28,462,045	580,780	12,557,450	31,450	1,150	41,632,875	121,799.43
Michigan.....	186,562,451	862,870	35,489,934	72,575	11,250	222,000,080	554,077.00
Minnesota.....	11,744,257	3,000	318,430			12,065,687	25,089.66
First Missouri.....	5,446,374	7,250	274,475	3,500	4,400	6,035,999	13,883.02
Sixth Missouri.....	22,395,595	95,700	494,060			22,985,355	47,548.59
Montana.....	135,850	900	137,050			273,800	959.65
Nebraska.....	714,050	4,750	24,500			743,300	1,564.85
Nevada.....	87,950		34,744			122,694	349.62
New Hampshire.....	50,927,010	37,750	10,803,009	1,075		61,768,844	155,993.60
First New Jersey.....	143,201,948	3,892,990	55,008,194	1,912,234	26,950	204,042,316	593,566.12
Fifth New Jersey.....	313,692,969	18,320,500	74,110,998	1,447,771	34,525	407,606,763	1,068,570.11
First New York.....	65,640,533	1,320,298	5,300,469	184,325	3,675	72,509,320	164,029.37
Second New York.....	22,643,243	1,532,444	5,034,759	609,820	30,861	29,851,127	81,877.35
Third New York.....	42,989,042	2,443,883	23,167,353	1,512,577	114,057	70,227,212	226,571.48
Fourteenth New York.....	58,583,971	2,381,855	7,922,353	18,425	675	68,907,279	164,127.85
Twenty-third New York.....	4,854,940	11,100	585,350			5,451,390	12,669.93
Twenty-eighth New York.....	6,579,175	148,400	733,825			7,461,400	17,272.67
North Carolina.....	35,926,400	50				35,926,450	71,852.95
North Dakota.....	57,750					57,750	115.50
First Ohio.....	27,645,318	193,953	1,035,501	1,200	512	28,876,484	61,069.51
Tenth Ohio.....	157,043,852	4,339,852	2,891,222			164,274,869	341,563.20
Eleventh Ohio.....	15,830,866	36,092	58,780			15,905,738	31,963.91
Eighteenth Ohio.....	48,031,524	351,669	1,010,238	1,945		49,395,376	102,189.67
Oklahoma.....	30,825					30,825	61.65
Oregon.....	461,125		76,250			537,375	1,183.50
First Pennsylvania.....	1,446,272,407	3,191,238	105,267,702	1,001,945	18,010	1,555,751,302	3,439,220.60
Twelfth Pennsylvania.....	231,838,779	70,700	10,068,068	19,385	500	241,997,450	514,440.38
Twenty-third Pennsylvania.....	56,756,612	27,200	39,010			56,822,822	113,789.87
Rhode Island.....	7,349,475		32,275			7,381,750	14,860.32
South Carolina.....	250,507,913	15,400	43,650			250,566,963	501,280.28
South Dakota.....	248,350	200	23,950			272,500	617.05
Tennessee.....	2,099,690	19,000	221,510	200		2,340,400	5,366.03
First Texas.....	8,421,005	9,425	2,482,945	19,775	1,300	10,931,450	29,478.70
Second Texas.....	59,900	17,300	100			77,300	172.20
Utah.....	718,225		285,473			1,003,698	2,863.81
Vermont.....	18,000		50			18,050	36.25
Virginia.....	261,064,424	32,450	323,900			261,420,774	523,845.70
Washington.....	372,600	1,550	18,100			392,250	840.35
West Virginia.....	88,922,554	12,000	1,600	2,500		88,938,654	177,915.36
Wisconsin.....	23,449,574	124,675	3,084,237	90,406	900	26,749,792	63,655.77
Wyoming.....	5,000		2,400			7,400	22.00
Total, 1936.....	4,499,856,039	53,229,233	517,585,014	29,248,021	550,759	5,100,469,066	12,061,864.31
Total, 1935.....	4,120,595,333	66,401,339	464,598,295	25,937,966	525,466	4,678,058,399	11,042,828.59
Increase.....	379,260,706		52,986,719	3,310,055	25,293	422,410,667	1,019,035.72
Decrease.....		13,172,106					

The Clerk read as follows:

TITLE II—INCOME TAX AMENDMENTS

SEC. 201. Corporation tax in general.

Sections 13, 14, and 15 of the Internal Revenue Code are amended to read as follows:

"SEC. 13. Tax on corporations in general.

"(a) Definitions: For the purposes of this chapter—

"(1) Adjusted net income: The term 'adjusted net income' means the net income minus the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations.

"(2) Normal-tax net income: The term 'normal-tax net income' means the adjusted net income minus the credit for dividends received provided in section 26 (b).

"(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every corporation the normal-tax net income of which is more than \$25,000 (except a corporation subject to the tax imposed by section 14, section 231 (a), Supplement G, or Supplement Q) whichever of the following taxes is the lesser:

"(1) General rule: A tax of 18 percent of the normal-tax net income; or

"(2) Alternative tax (corporations with normal-tax net income slightly more than \$25,000): A tax of \$3,525, plus 32 percent of the amount of the normal-tax net income in excess of \$25,000.

"(c) Exempt corporations: For corporations exempt from taxation under this chapter, see section 101.

"(d) Tax on personal holding companies: For surtax on personal holding companies, see section 500.

"(e) Improper accumulation of surplus: For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102.

"SEC. 14. Tax on special classes of corporations.

"(a) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of the following corporations (in lieu of the tax imposed by section 13) the tax hereinafter in this section specified.

"(b) Corporations with normal-tax net incomes of not more than \$25,000: If the normal tax net income of the corporation is not more than \$25,000, and if the corporation does not come within one of the classes specified in subsection (c), (d), or (e) of this section, the tax shall be as follows:

"Upon normal-tax net incomes not in excess of \$5,000, 12½ percent.

"\$625 upon normal-tax net incomes of \$5,000, and upon normal-tax net incomes in excess of \$5,000 and not in excess of \$20,000, 14 percent in addition of such excess.

"\$2,725 upon normal-tax net incomes of \$20,000, and upon normal-tax net incomes in excess of \$20,000, 16 percent in addition of such excess.

"(c) Foreign corporations:

"(1) In the case of a foreign corporation engaged in trade or business within the United States or having an office or place of business therein, the tax shall be an amount equal to 18 percent of the normal-tax net income, regardless of the amount thereof.

"(2) In the case of a foreign corporation not engaged in trade or business within the United States and not having an office or place of business therein, the tax shall be as provided in section 231 (a)."

"(d) Insurance companies: In the case of insurance companies, the tax shall be as provided in Supplement G.

"(e) Mutual investment companies: In the case of mutual investment companies, as defined in Supplement Q, the tax shall be as provided in such supplement.

"(f) Exempt corporations: For corporations exempt from taxation under this chapter, see section 101.

"(g) Tax on personal holding companies: For surtax on personal holding companies, see section 500.

"(h) Improper accumulation or surplus: For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102."

Sec. 202. Tax on banks and trust companies.

Section 104 (b) of the Internal Revenue Code (relating to the tax on banks) is amended to read as follows:

"(b) Rate of tax: Banks shall be subject to tax under section 13 or section 14 (b)."

Sec. 203. Tax on life-insurance companies.

Section 201 (b) of the Internal Revenue Code (relating to the tax on life-insurance companies) is amended to read as follows:

"(b) Imposition of tax—

"(1) In general: In lieu of the tax imposed by sections 13 and 14, there shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every life-insurance company a tax at the rates provided in section 13 or section 14 (b)."

"(2) Normal-tax net income or foreign life-insurance companies: In the case of a foreign life-insurance company, the normal-tax net income shall be an amount which bears the same ratio to the normal-tax net income, computed without regard to this paragraph, as the reserve funds required by law and held by it at the end of the taxable year upon business transacted within the United States bear to the reserve funds held by it at the end of the taxable year upon all business transacted.

"(3) No United States insurance business: Foreign life-insurance companies not carrying on an insurance business within the United States and holding no reserve funds upon business transacted within the United States, shall not be taxable under this section but shall be taxable as other foreign corporations."

Sec. 204. Tax on insurance companies other than life or mutual.

Section 204 (a) of the Internal Revenue Code (relating to the tax on insurance companies other than life or mutual) is amended to read as follows:

"(a) Imposition of tax—

"(1) In general: In lieu of the tax imposed by sections 13 and 14, there shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every insurance company (other than a life or mutual insurance company) a tax at the rates provided in section 13 or section 14 (b)."

"(2) Normal-tax net income of foreign companies: In the case of a foreign insurance company (other than a life or mutual insurance company), the normal-tax net income shall be the net income from sources within the United States minus the sum of—

"(A) Interest on obligations of the United States and its instrumentalities: The credit provided in section 26 (a).

"(B) Dividends received: The credit provided in section 26 (b).

"(3) No United States insurance business: Foreign insurance companies not carrying on an insurance business within the United States shall not be taxable under this section but shall be taxable as other foreign corporations."

Sec. 205. Tax on mutual insurance companies other than life.

Section 207 (a) of the Internal Revenue Code (relating to the tax on mutual insurance companies other than life) is amended to read as follows:

"(a) Imposition of tax—

"(1) In general: There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every mutual insurance company (other than a life insurance company) a tax at the rates provided in section 13 or section 14 (b)."

"(2) Foreign corporations: The tax imposed by paragraph (1) shall apply to foreign corporations as well as domestic corporations; but foreign insurance companies not carrying on an insurance business within the United States shall be taxable as other foreign corporations."

Sec. 206. Tax on resident foreign corporations.

Section 231 (b) of the Internal Revenue Code (relating to the tax on resident foreign corporations) is amended to read as follows:

"(b) Resident corporations: A foreign corporation engaged in trade or business within the United States or having an office or place of business therein shall be taxable as provided in section 14 (c) (1)."

Sec. 207. Tax on corporations entitled to the benefits of section 251.

Section 251 (c) (1) of the Internal Revenue Code (relating to tax on corporations deriving a large part of their income from sources within a possession) is amended to read as follows:

"(1) Corporation tax: A domestic corporation entitled to the benefits of this section shall be subject to tax under section 13 or section 14 (b)."

Sec. 208. Tax on China Trade Act corporations.

Section 261 (a) of the Internal Revenue Code (relating to the tax on China Trade Act corporations) is amended to read as follows:

"(a) Corporation tax: A corporation organized under the China Trade Act, 1922, 42 Stat. 849 (U. S. C., 1934 ed., title 15, ch. 4), shall be subject to tax under section 13 or section 14 (b)."

SEC. 209. Tax on mutual investment companies.

Section 362 (b) of the Internal Revenue Code (relating to the tax on mutual investment companies) is amended to read as follows:

"(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the Supplement Q net income of every mutual investment company a tax equal to 18 percent of the amount thereof."

Sec. 210. Technical amendments made necessary by change in corporation tax.

(a) Section 21 (b) of the Internal Revenue Code is amended to read as follows:

"(b) Cross references: For definition of 'adjusted net income' and 'normal-tax net income' see section 13."

(b) Section 141 (j) of the Internal Revenue Code (relating to affiliated corporations in bankruptcy or receivership) shall not apply with respect to a taxable year beginning after December 31, 1939.

(c) Section 262 of the Internal Revenue Code (relating to additional credits of China Trade Act corporations) is amended by striking out "sections 14 and 600" and inserting in lieu thereof "sections 13, 14, and 600"; and by striking out "section 14" wherever it appears and inserting in lieu thereof "section 13 or 14."

Sec. 211. Net operating losses.

(a) Section 23 of the Internal Revenue Code (relating to deductions from gross income) is amended by inserting at the end thereof the following:

"(s) Net operating loss deduction: In the case of a corporation, for any taxable year beginning after December 31, 1939, the net operating loss deduction computed under section 122."

(b) The Internal Revenue Code is amended by inserting after section 121 the following new section:

"Sec. 122. Net operating loss deduction.

"(a) Definition of net operating loss: As used in this section, the term 'net operating loss' means the excess of the deductions allowed by this chapter over the gross income, with the exceptions and limitations provided in subsection (d).

"(b) Amount of carry-over: The term 'net operating loss carry-over' means in the case of any taxable year the sum of:

"(1) The amount, if any, of the net operating loss for the first preceding taxable year; and

"(2) The amount of the net operating loss, if any, for the second preceding taxable year reduced by the excess, if any, of the net income (computed with the exceptions and limitations provided in subsection (d)) for the first preceding taxable year over the net operating loss for the third preceding taxable year.

"(c) Amount of net operating loss deduction: The amount of the net operating loss deduction shall be the amount of the net operating loss carry-over reduced by the amount, if any, by which the net income (computed with the exceptions and limitations provided in subsection (d)) exceeds the normal tax net income (computed without such deduction);

"(d) Exceptions and limitations: The exceptions and limitations referred to in subsections (a), (b), and (c) shall be as follows:

"(1) The deduction for depletion shall not exceed the amount which would be allowable if computed without reference to discovery value or to percentage depletion under section 114 (b) (2), (3), or (4);

"(2) There shall be included in computing gross income the amount of interest received which is wholly exempt from the taxes imposed by this chapter, decreased by the amount of interest paid or accrued which is not allowed as a deduction by section 23 (b), relating to interest on indebtedness incurred or continued to purchase or carry certain tax-exempt obligations;

"(3) No net operating loss deduction shall be allowed;

"(4) The deduction on account of long-term capital losses shall not exceed the amount of the long-term capital gains, and the deduction on account of short-term capital losses shall not exceed the amount of the short-term capital gains.

"(e) No carry-over from year prior to 1939: As used in this section, the term 'third preceding taxable year', 'second preceding taxable year', and 'first preceding taxable year' do not include any taxable year beginning prior to January 1, 1939."

(c) Denial of deduction to section 102 corporations: Section 102 (d) (1) of the Internal Revenue Code (relating to the definition of sec. 102 net income) is amended by striking out "The term 'section 102 net income' means the net income minus the sum of" and inserting in lieu thereof "The term 'section 102 net income' means the net income, computed without the net operating loss deduction provided in section 23 (s), minus the sum of."

(d) Denial or deduction to foreign personal holding companies: Section 336 (b) of the Internal Revenue Code (relating to disallowed deductions in computing net income of foreign personal holding companies) is amended by inserting at the end thereof the following:

"(3) Net loss carry-over disallowed: The deduction for net operating losses provided in section 23 (s) shall not be allowed."

(e) Denial or deduction to mutual investment companies: Section 362 (a) of the Internal Revenue Code (relating to definition of Supplement Q net income) is amended to read as follows:

"(a) Supplement Q net income: For the purposes of this chapter the term 'Supplement Q net income' means the adjusted net income, computed without the net operating loss deduction provided in section 23 (s), minus the basic surtax credit computed under section 27 (b) without the application of paragraphs (2) and (3)."

(f) Denial of deduction to domestic personal holding companies: Section 505 of the Internal Revenue Code (relating to definition of

subchapter A net income) is amended by inserting at the end thereof the following:

"(c) Net loss carry-over disallowed: The deduction for net operating losses provided in section 23 (s) shall not be allowed."

(g) Technical amendment: Section 26 (c) (2) of the Internal Revenue Code (relating to operating loss credit) is amended by striking out "chapter" and inserting in lieu thereof "section."

SEC. 212. Corporation capital losses.

(a) Limitations: Section 117 (d) of the Internal Revenue Code (relating to limitation on capital losses) is amended to read as follows:

"(d) Limitation on capital losses: Long-term capital losses shall be allowed, but short-term capital losses shall be allowed only to the extent of short-term capital gains."

(b) Net short-term loss carry-over: Section 117 (e) of the Internal Revenue Code (relating to the 1-year carry-over of net short-term capital loss) is amended to read as follows:

"(e) Net short-term capital loss carry-over: If any taxpayer sustains in any taxable year, beginning after December 31, 1937, in the case of a taxpayer other than a corporation, or beginning after December 31, 1939, in the case of a corporation, a net short-term capital loss, such loss (in an amount not in excess of the net income for such year) shall be treated in the succeeding taxable year as a short-term capital loss, except that it shall not be included in computing the net short-term capital loss for such year."

(c) Capital losses of foreign personal holding companies: Section 336 of the Internal Revenue Code (relating to definition of Supplement P net income) is amended by inserting at the end thereof the following new subsection:

"(c) Capital losses: The net income shall be computed without regard to section 117 (d) and (e), and losses from sales or exchanges of capital assets shall be allowed only to the extent of \$2,000 plus the gains from such sales or exchanges."

(d) Capital losses of domestic personal holding companies: Section 505 of the Internal Revenue Code (relating to definition of subchapter A net income) is amended by inserting at the end thereof the following new subsection:

"(d) Capital losses: The net income shall be computed without regard to section 117 (d) and (e), and losses from sales or exchanges of capital assets shall be allowed only to the extent of \$2,000 plus the gains from such sales or exchanges."

SEC. 213. Assumption of indebtedness.

(a) Assumption of liability not recognized: Section 112 of the Internal Revenue Code (relating to recognition of gain or loss) is amended by adding at the end thereof the following new subsection:

"(k) Assumption of liability not recognized: Where upon an exchange the taxpayer receives as part of the consideration property which would be permitted by subsections (b) (4) or (5) of this section to be received without the recognition of gain if it were the sole consideration, and as part of the consideration another party to the exchange assumes a liability of the taxpayer or acquires from the taxpayer property subject to a liability, such assumption or acquisition shall not be considered as 'other property or money' received by the taxpayer within the meaning of subsection (c), (d), or (e) of this section and shall not prevent the exchange from being within the provisions of subsection (b) (4) or (5); except that if, taking into consideration the nature of the liability and the circumstances in the light of which the arrangement for the assumption or acquisition was made, it appears that the principal purpose of the taxpayer with respect to the assumption or acquisition was a purpose to avoid Federal income tax on the exchange, or, if not such purpose, was not a bona fide business purpose, such assumption or acquisition (in the amount of the liability) shall, for the purposes of this section, be considered as money received by the taxpayer upon the exchange. In any suit or proceeding where the burden is on the taxpayer to prove that such assumption or acquisition is not to be considered as money received by the taxpayer, such burden shall not be considered as sustained unless the taxpayer sustains such burden by the clear preponderance of the evidence."

(b) Amendment to definition of reorganization: Section 112 (g) (1) of the Internal Revenue Code (relating to definition of reorganization) is amended to read as follows:

"(1) The term 'reorganization' means (A) a statutory merger or consolidation, or (B) the acquisition by one corporation, in exchange solely for all or a part of its voting stock, of at least 80 percent of the voting stock and at least 80 percent of the total number of shares of all other classes of stock of another corporation, or (C) the acquisition by one corporation, in exchange solely for all or a part of its voting stock, of substantially all the properties of another corporation, but in determining whether the exchange is solely for voting stock the assumption by the acquiring corporation of a liability of the other, or the fact that property acquired is subject to a liability, shall be disregarded, or (D) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its shareholders or both are in control of the corporation to which the assets are transferred, or (E) a recapitalization, or (F) a mere change in identity, form, or place of organization, however effected."

(c) Requirement of substantially proportionate interests: Section 112 (b) (5) of the Internal Revenue Code (relating to requirement of substantially proportionate interests) is amended by adding at the end thereof the following new sentence: "Where the transferee assumes a liability of a transferor, or where the property of a transferor is transferred subject to a liability, then for the

purpose only of determining whether the amount of stock or securities received by each of the transferors is in the proportion required by this paragraph, the amount of such liability (if under subsection (k) it is not to be considered as 'other property or money') shall be considered as stock or securities received by such transferor."

(d) Basis of property: Section 113 (a) (6) of the Internal Revenue Code (relating to basis of property) is amended by inserting before the last sentence thereof the following: "Where as part of the consideration to the taxpayer another party to the exchange assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability, such assumption or acquisition (in the amount of the liability) shall, for the purposes of this paragraph, be considered as money received by the taxpayer upon the exchange."

(e) Taxable years to which applicable: The amendments made by subsections (a), (b), (c), and (d) shall be applicable to taxable years beginning after December 31, 1938.

(f) Assumption of liability not recognized under prior acts:

(1) Where upon an exchange occurring in a taxable year ending after December 31, 1923, and beginning before January 1, 1939, the taxpayer received as part of the consideration property which would be permitted by subsection (b) (4) or (5) of section 112 of the Revenue Act of 1938, or the corresponding provisions of the Revenue Act of 1924 or subsequent revenue acts, to be received without the recognition of gain if it were the sole consideration, and as part of the consideration another party to the exchange assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability, such assumption or acquisition shall not be considered as "other property or money" received by the taxpayer within the meaning of subsection (c), (d), or (e) of section 112 of the Revenue Act of 1938, or the corresponding provisions of the Revenue Act of 1924 or subsequent revenue acts, and shall not prevent the exchange from being within the provisions of subsection (b) (4) or (5) of section 112 of the Revenue Act of 1938, or the corresponding provisions of the Revenue Act of 1924 or subsequent revenue acts; except that if, in the determination of the tax liability of such taxpayer for the taxable year in which the exchange occurred, by a decision of the Board of Tax Appeals or of a court which became final before the ninetieth day after the date of enactment of the Revenue Act of 1939, or by a closing agreement, gain was recognized to such taxpayer by reason of such assumption or acquisition of property, then for the purposes of section 112 of the Revenue Act of 1938, and corresponding provisions of the Revenue Act of 1924 or subsequent revenue acts, such assumption or acquisition (in the amount of the liability considered in computing the gain) shall be considered as money received by the taxpayer upon the exchange.

(2) Paragraph (1) shall be effective with respect to the Revenue Act of 1924 and subsequent revenue acts as of the date of enactment of each such act.

(g) Definition of reorganization under prior acts:

(1) Section 112 (g) (1) of the Revenue Acts of 1938, 1936, and 1934 are amended to read as follows:

"(1) The term 'reorganization' means (A) a statutory merger or consolidation, or (B) the acquisition by one corporation, in exchange solely for all or a part of its voting stock, of substantially all the properties of another corporation, but in determining whether the exchange is solely for voting stock the assumption by the acquiring corporation of a liability of the other, or the fact that property acquired is subject to a liability, shall be disregarded; or the acquisition by one corporation in exchange solely for all or a part of its voting stock of at least 80 percent of the voting stock and at least 80 percent of the total number of shares of all other classes of stock of another corporation, or (C) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its shareholders or both are in control of the corporation to which the assets are transferred, or (D) a recapitalization, or (E) a mere change in identity, form, or place of organization, however effected."

(2) The amendments made by paragraph (1) to the respective acts amended shall be effective as to each of such acts as of the date of enactment of such act.

(h) Substantially proportionate interests under prior acts:

(1) Section 112 (b) (5) of the Revenue Acts of 1938, 1936, 1934, 1932, and 1928, and section 203 (b) (4) of the Revenue Acts of 1926 and 1924 are amended by inserting at the end thereof the following: "Where the transferee assumes a liability of a transferor, or where the property of a transferor is transferred subject to a liability, then for the purpose only of determining whether the amount of stock or securities received by each of the transferors is in the proportion required by this paragraph, the amount of such liability (if under section 213 of the Revenue Act of 1939 it is not considered as 'other property or money') shall be considered as stock or securities received by such transferor. If, as the result of a determination of the tax liability of the taxpayer for the taxable year in which the exchange occurred, by a decision of the Board of Tax Appeals or of a court which became final before the ninetieth day after the date of the enactment of the Revenue Act of 1939, or by a closing agreement, the treatment of the amount of such liability was different from the treatment which would result from the application of the preceding sentence, such sentence shall not apply and the result of such determination shall be deemed proper."

(2) The amendments made by paragraph (1) to the respective acts amended shall be effective as to each of such acts as of the date of enactment of such act.

(1) Basis under prior acts:

(1) Section 113 (a) (6) of the Revenue Acts of 1938, 1936, 1934, 1932, and 1928, and section 204 (a) (6) of the Revenue Acts of 1926 and 1924 are amended by inserting before the last sentence thereof the following: "Where as part of the consideration to the taxpayer another party to the exchange assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability, such assumption or acquisition (in the amount of the liability) shall, for the purposes of this paragraph, be considered as money received by the taxpayer upon the exchange."

(2) The amendments made by paragraph (1) to the respective acts amended shall be effective as to each of such acts as of the date of enactment of such act.

SEC. 214. Basis of stock dividends and stock rights.

(a) Basis under Internal Revenue Code: Section 113 (a) of the Internal Revenue Code (relating to the unadjusted basis of property) is amended by inserting at the end thereof the following new paragraph:

"(19) (A) If the property was acquired by a shareholder in a corporation and consists of stock in such corporation, or rights to acquire such stock, acquired by him after February 28, 1913, in a distribution by such corporation (hereinafter in this paragraph called 'new stock'), or consists of stock in respect of which such distribution was made (hereinafter in this paragraph called 'old stock') and

"(i) the new stock was acquired in a taxable year beginning before January 1, 1936; or

"(ii) the new stock was acquired in a taxable year beginning after December 31, 1935, and its distribution did not constitute income to the shareholder within the meaning of the sixteenth amendment to the Constitution;

then the basis of the new stock and of the old stock, respectively, shall, in the shareholder's hands, be determined by allocating between the old stock and the new stock the adjusted basis of the old stock; such allocation to be made under regulations which shall be prescribed by the Commissioner with the approval of the Secretary.

"(B) Where the new stock consisted of rights to acquire stock and such rights were sold in a taxable year beginning before January 1, 1939, and there was included in the gross income for such year the entire amount of the proceeds of such sale, then, if before the date of the enactment of the Revenue Act of 1939 the taxpayer has not asserted (by claim for a refund or credit or otherwise) that any part of the proceeds of the sale of such new stock should be excluded from gross income for the year of its sale, the basis of the old stock shall be determined without regard to subparagraph (A); and no part of the proceeds of the sale of such new stock shall ever be excluded from the gross income of the year of such sale.

"(C) Subparagraph (A) shall not apply if the new stock was acquired in a taxable year beginning before January 1, 1936, and there was included, as a dividend, in gross income for such year an amount on account of such stock, and after such inclusion such amount was not (before the date of the enactment of the Revenue Act of 1939) excluded from gross income for such year.

"(D) Subparagraph (A) shall not apply if the new stock or the old stock was sold or otherwise disposed of in a taxable year beginning prior to January 1, 1936, and the basis (determined by a decision of a court or the Board of Tax Appeals, or a closing agreement, and the decision or agreement became final before the ninetieth day after the date of the enactment of the Revenue Act of 1939) for determining gain or loss on such sale or other disposition was ascertained by a method other than that of allocation of the basis of the old stock."

(b) Distributions not treated as dividends: Section 115 (d) of the Internal Revenue Code (relating to distributions applied in reduction of basis) is amended to read as follows:

"(d) Other distributions from capital: If any distribution made by a corporation to its shareholders is not out of increase in value of property accrued before March 1, 1913, and is not a dividend, then the amount of such distribution shall be applied against and reduce the adjusted basis of the stock provided in section 113, and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property. This subsection shall not apply to a distribution in partial or complete liquidation or to a distribution which, under subsection (f) (1), is not treated as a dividend, whether or not otherwise a dividend."

(c) Taxable years to which applicable: The amendments made by subsections (a) and (b) shall be applicable to taxable years beginning after December 31, 1938.

(d) Basis under prior acts: The following rules shall be applied, for the purposes of the Revenue Act of 1938 or any prior revenue act, as if such rules were a part of each such act when it was enacted, in determining the basis of property acquired by a shareholder in a corporation which consists of stock in such corporation, or rights to acquire such stock, acquired by him after February 28, 1913, in a distribution by such corporation (hereinafter in this subsection called "new stock"), or consisting of stock in respect of which such distribution was made (hereinafter in this subsection called "old stock") if the new stock was acquired in a taxable year beginning before January 1, 1936, or acquired in a taxable year beginning after December 31, 1935, and its distribution did not constitute income to the shareholder within the meaning of the sixteenth amendment to the Constitution.

(1) The basis of the new stock and of the old stock, respectively, shall, in the shareholder's hands, be determined by allocating between the old stock and the new stock the adjusted basis of the old stock; such allocation to be made under regulations which shall be prescribed by the Commissioner with the approval of the Secretary.

(2) Where the new stock consisted of rights to acquire stock and such rights were sold and there was included in the gross income for the taxable year of the sale the entire amount of the proceeds of such sale, then, if before the date of the enactment of this act the taxpayer has not asserted (by claim for refund or credit or otherwise) that any part of the proceeds of the sale of such new stock should be excluded from gross income for the year of its sale, the basis of the old stock shall be determined without regard to paragraph (1) and no part of the proceeds of the sale of such new stock shall ever be excluded from the gross income of the year of such sale.

(3) Paragraph (1) shall not apply if the new stock was acquired in a taxable year beginning before January 1, 1936, and there was included, as a dividend, in gross income for such year an amount on account of such stock, and after such inclusion such amount was not (before the date of the enactment of this act) excluded from gross income for such year.

(4) Paragraph (1) shall not apply if the new stock or the old stock was sold or otherwise disposed of in a taxable year beginning before January 1, 1936, and the basis (determined by a decision of a court or the Board of Tax Appeals, or a closing agreement, and the decision or agreement became final before the ninetieth day after the date of the enactment of this Act) for determining gain or loss on such sale or other disposition was ascertained by a method other than that of allocation of the basis of the old stock.

SEC. 215. Discharge of indebtedness.

(a) Income from discharge of indebtedness: Section 22 (b) of the Internal Revenue Code (relating to exclusions from gross income) is amended by adding at the end thereof the following new paragraph:

"(9) Income from discharge of indebtedness: In the case of a corporation, the amount of any income of the taxpayer attributable to the discharge, within the taxable year, of any indebtedness of the taxpayer or for which the taxpayer is liable evidenced by a security (as hereinafter in this paragraph defined) if it is established to the satisfaction of the Commissioner that at the time of such discharge the taxpayer was in an unsound financial condition, and if the taxpayer makes and files at the time of filing the return, in such manner as the Commissioner, with the approval of the Secretary, by regulations prescribes, its consent to the regulations prescribed under section 113 (b) (3) then in effect. In such case the amount of any income of the taxpayer attributable to any unamortized premium (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be included in gross income and the amount of the deduction attributable to any unamortized discount (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction. As used in this paragraph the term 'security' means any bond, debenture, note, or certificate, or other evidence of indebtedness, issued by any corporation, with interest coupons or in registered form in existence on June 1, 1939. This paragraph shall not apply to any discharge occurring before the date of the enactment of the Revenue Act of 1939, or in a taxable year beginning after December 31, 1942."

(b) Basis reduced: Section 113 (b) of the Internal Revenue Code (relating to the adjusted basis of property) is amended by adding at the end thereof the following new paragraph:

"(3) Discharge of indebtedness: Where in the case of a corporation any amount is excluded from gross income under section 22 (b) (9) on account of the discharge of indebtedness the whole or a part of the amount so excluded from gross income shall be applied in reduction of the basis of any property held (whether before or after the time of the discharge) by the taxpayer during any portion of the taxable year in which such discharge occurred. The amount to be so applied (not in excess of the amount so excluded from gross income, reduced by the amount of any deduction disallowed under section 22 (b) (9)) and the particular properties to which the reduction shall be allocated, shall be determined under regulations (prescribed by the Commissioner with the approval of the Secretary) in effect at the time of the filing of the consent by the taxpayer referred to in section 22 (b) (9). The reduction shall be made as of the first day of the taxable year in which the discharge occurred except in the case of property not held by the taxpayer on such first day, in which case it shall take effect as of the time the holding of the taxpayer began."

(c) Taxable years to which applicable: The amendments made by this section shall be applicable to taxable years beginning after December 31, 1938.

SEC. 216. Foreign tax credit.

(a) Disallowance of credit to section 102 corporations: Section 131 (a) of the Internal Revenue Code (relating to allowance of foreign tax credit) is amended by striking out "If the taxpayer signifies in his return his desire to have the benefits of this section, the tax imposed by this chapter shall be credited with" and inserting in lieu thereof "If the taxpayer signifies in his return his

desire to have the benefits of this section, the tax imposed by this chapter, except the tax imposed under section 102, shall be credited with."

(b) Limit on credit: Section 131 (b) of the Internal Revenue Code (relating to the limit on foreign tax credit) is amended to read as follows:

"(b) Limit on credit: The amount of the credit taken under this section shall be subject to each of the following limitations:

"(1) The amount of the credit in respect of the tax paid or accrued to any country shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources within such country bears to his entire net income, in the case of a taxpayer other than a corporation, or to the normal-tax net income, in the case of a corporation, for the same taxable year; and

"(2) The total amount of the credit shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources without the United States bears to his entire net income, in the case of a taxpayer other than a corporation, or to the normal-tax net income, in the case of a corporation, for the same taxable year."

(c) Foreign subsidiary: Section 131 (f) of the Internal Revenue Code (relating to credit for taxes of foreign subsidiary) is amended by striking out "entire net income" and inserting in lieu thereof "normal-tax net income."

Sec. 217. Exemption of certain Federal employees' organizations.

(a) Section 101 of the Internal Revenue Code (relating to exemptions from tax on corporations) is amended by adding at the end thereof the following new paragraph:

"(19) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or their designated beneficiaries, if (A) admission to membership in such association is limited to individuals who are officers or employees of the United States Government, and (B) no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual."

(b) The amendment made by this section shall be applicable to taxable years beginning after December 31, 1938.

Sec. 218. Definitions of gross income of certain insurance companies for personal holding company tax.

(a) Section 507 of the Internal Revenue Code is amended to read as follows:

"Sec. 507. Meaning of terms used.

"(a) General rule: The terms used in this subchapter shall have the same meaning as when used in chapter 1.

"(b) Insurance companies other than life or mutual: Notwithstanding subsection (a), the term 'gross income,' as used in this subchapter, means, in the case of an insurance company other than life or mutual, the gross income, as defined in section 204 (b) (1), increased by the amount of losses incurred, as defined in section 204 (b) (6), and the amount of expenses incurred, as defined in section 204 (b) (7), and decreased by the amount deductible under section 204 (c) (7) (relating to tax-free interest)."

(b) Taxable years to which applicable: The amendments made by this section shall be applicable to taxable years beginning after December 31, 1938.

Sec. 219. Taxable years to which amendments applicable.

Except the amendments made by sections 211, 213, 214, 215, 217, and 218, the amendments made by this title to the Internal Revenue Code shall be effective only with respect to taxable years beginning after December 31, 1939.

Mr. MOTT. Mr. Chairman, I ask unanimous consent to return to title I for the purpose of offering an amendment, and I give this as my reason for doing so: I understood the gentleman from Washington [Mr. LEAVY] intended to offer an amendment restoring the excise and import tax on shingles and spruce and other wood products from Canada. The gentleman does not seem to be here and did not offer the amendment, and I would like to offer it myself.

The CHAIRMAN. The gentleman from Oregon asks unanimous consent to return to title I for the purpose of offering an amendment. Is there objection?

Mr. COOPER. Mr. Chairman, I regret exceedingly having to do so, but I must object to returning to title I after we have already passed it.

The CHAIRMAN. Objection is heard. The Clerk will report the committee amendments to title II.

The Clerk read as follows:

Committee amendment: Page 11, line 1, after the word "deduction", strike out the remainder of the line and the words "of a corporation, for", in line 2, and insert the word "For."

The committee amendment was agreed to.

The Clerk read as follows:

Committee amendment: Page 11, line 21, after "(d)" insert "(1), (2), (3), and (4)."

The committee amendment was agreed to.

The Clerk read as follows:

Committee amendment: Page 12, line 6, strike out all of line 6 and the words "such deduction", in line 7, and insert "(d) (1), (2), (3), and (4) exceeds, in the case of a taxpayer other than a corporation, the net income (computed without such deduction), or, in the case of a corporation, the normal-tax net income (computed without such deduction)."

The committee amendment was agreed to.

The Clerk read as follows:

Committee amendment: Page 13, line 9, strike out the word "gains," and insert "gains;" and the following:

"(5) Deductions otherwise allowed by law not attributable to the operation of a trade or business regularly carried on by the taxpayer shall (in the case of a taxpayer other than a corporation) be allowed only to the extent of the amount of the gross income not derived from such trade or business."

The committee amendment was agreed to.

The Clerk read as follows:

Committee amendment: Page 31, line 6, strike out "with interest coupons or in registered form."

The committee amendment was agreed to.

Mr. TREADWAY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TREADWAY: Page 10, line 14, strike out "1939" and insert "1938."

Page 11, line 3, strike out "1939" and insert "1938."

Page 13, lines 16 and 20, strike out "1939" and insert "1938."

Page 15, line 23, strike out "1939" and insert "1938."

Page 35, strike out lines 20 to 23, inclusive, and insert in lieu thereof the following:

"The amendments made by this title to the Internal Revenue Code shall be effective with respect to taxable years beginning after December 31, 1938."

Mr. TREADWAY. Mr. Chairman, I think the business world will be very much disappointed at the action the House is taking today unless it adopts this amendment. The entire line of argument has been for immediate tax relief and the removal of tax deterrents to present-day business. When it was found that the proposed changes were not to be put into effect until 1940 I am certain that business was very much depressed.

It is a mistake not to start this relief now. The amendment I have offered is simply to accomplish this purpose. If we are right in doing away with the undistributed-profits tax and changing the corporation tax to 18 percent and making the various other changes, then it is right to do it in the year 1939 so that the taxpayer making up his tax return next March will have that much advantage. This year's income will not be affected by the bill. It is no excuse to say that we have passed the half-year mark, and that therefore this would be retroactive legislation. So much the better if it is.

As I have indicated, the purpose of my amendment is to make all the relief provisions of title I effective with respect to 1939 incomes, the tax on which is due and payable in March 1940. Under the bill as drafted, certain provisions will not become effective before the taxable year 1940, so that the first relief which will be felt will be when corporations come to pay their 1940 taxes in March 1941.

Mr. Chairman, if we are going to give business the relief from tax deterrents which the bill provides, what justification is there for postponing it so long?

"Eventually, why not now," as the saying goes. Business has been promised this relief for a long time. Everyone has anticipated that when it was given it would be given at once and not held off until sometime in the future.

If we are not going to give the benefits of the relief provisions to this year's business operations, then why all the rush to pass this bill and get it on the statute books? Even though the nuisance-tax extension must be passed before June 30, this is not the case with respect to the income-tax provisions of the bill.

We of the minority, in our supplemental views on the bill, have challenged the majority to give a valid and compelling reason for postponing the effective date of the tax changes. The excuse that business has gone along for 6 months under the present law and could not adjust itself to the changes proposed is pure bunk.

Business would be delighted to adjust itself to the changes proposed.

The excuse that there would be a loss of revenue if the relief were made effective this year can be offset by making the 18-percent rate effective at the same time, as provided in my motion.

In his appearance before the committee, the Secretary of the Treasury stated that the proposals he made were in the interest of removing deterrents which were likely to hinder business expansion and investment. If that is the case, then the sooner these deterrents are removed the sooner we may expect this hoped-for expansion of business and investment.

The Democratic majority, by arbitrarily deferring the relief, are putting themselves in the position of deferring business recovery at the same time.

The country has grown impatient waiting for business recovery under the New Deal. Repressive taxation is merely one means by which New Deal policies have hampered business and postponed recovery.

When even the Treasury now admits that its tax policies have been wrong, and when it admits that they should be corrected, and when the Ways and Means Committee proposes to correct them, what excuse can there be for not making these corrections now?

Congress has an opportunity to do something for business and reemployment under this bill. Let us not fumble the ball by holding off relief too long.

There is no loss in revenue under the change in provisions; it is simply a square deal for business, and that is why I am offering the amendment making the bill effective now rather than a year from now. [Applause.]

Mr. Chairman, I ask unanimous consent to revise and extend my remarks at this point on this subject.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, one of the chief complaints about taxes is the uncertainty as to what the future taxes will be. As it is, half of this calendar year is gone and the corporations have arranged their businesses on present tax rates and schedules. To change in the middle of the year would result in disarrangement of business. Many of them have passed the taxes on to the consumers, added them on to their cost of doing business. At present rates the taxes on undistributed profits run from 16½ to 19 percent. Under the amendment there would be an 18-percent flat rate. I am informed that 88 percent of the corporations have incomes less than \$25,000; so if this amendment goes into effect on this year's business many of this 88 percent will pay more for this year in taxes than they would pay under existing law. So in order to make the bill applicable to 1939 would result in many paying a greater tax than they anticipated when they arranged their business for 1939.

The carry-over provisions of the present bill already apply to 1939. So not only do they get the benefit of the carry-over provision, but it is now asked to make the tax provisions retroactive for the benefit of some corporations and penalize other corporations. There is no justice in that, Mr. Chairman. The gentleman surely does not ask that.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. McCORMACK. Furthermore, the 18-percent tax takes into consideration the elimination of the \$2,000 limitation to corporations on capital gains which this amendment does not even consider.

Mr. DOUGHTON. Certainly. It is certain you cannot do two things at the same time. You cannot write a tax bill as important and far reaching as this, as important to the taxpayers, as important to the Treasury, as important to the country, here on the floor of this House; and the gentleman from Massachusetts knows it. Much as I admire

him, highly as I respect him, it looks like an effort to play politics rather than to help the Treasury of the United States or to help the taxpayers.

Mr. Chairman, I ask that the amendment be voted down. [Applause.]

Mr. JENKINS of Ohio. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, we all know that under a proper appraisal of the facts there is absolutely no reason why this amendment should not prevail. There is absolutely no reason why if this is a good tax bill it should not go into effect on 1939 business. It is very easy to make this retroactive for the year 1939. We do not make out our income taxes until after the 1st of January 1940. The argument is made that it cannot be made retroactive. This is not true. It can be retroactive. Many times we have enacted tax laws that were made retroactive for the year. They provide that the 18-percent rate is effective on 1939 taxes. Then why should not the other features of the bill be made applicable? If this is a good bill for 1940, why wait until 1940 to put it into effect? If it is a good bill for 1940, we should make it apply to 1939. No sophistry, no eloquence, and no apology, and no demagoguery or misrepresentation can change the simple proposition that what is good for 1940 is good for 1939. Any talk that some corporations have already paid their taxes for 1938 would make the application of the law inadvisable is specious. That argument is specious, for we could easily allow them a credit for what has been paid or we can exempt the 1938 tax. This is just another excuse just as they made last year and the year before, when they claimed they could not repeal the undistributed-profits tax. You see that last year they reduced the undistributed-profits tax from 27½ to 2½ percent, and this year they let it die and they have buried it in an unmarked grave. They are ashamed of it and would deny the responsibility for it if they could.

The business interests in my State—I speak for the State of Ohio, and that State is typical of every State that does a great amount of all kinds of business. Over in my State they want tax relief, and they want it this year; they want it now. This bill does not give any tax relief this year. Do not go away from here today and write a letter to your constituents saying that you have voted for a bill that gives tax relief this year, for it does not, and it will not unless you adopt this amendment. Tell them the truth. Tell them that F. D. R. is still holding his club over business and that the majority are afraid to do what should be done. There is absolutely no reason why this amendment should not be adopted. It is what the business people want and have been promised; it is consistent with past legislation; it is consistent with good, common sense; and you ought to vote for it. [Applause.]

Mr. McCORMACK. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I realize the probable way in which the vote will divide, but for the record may I say that the statement just made by the two preceding Members on the minority side clearly shows that in a desire to oppose they are even willing to try to drive down the throats of the people the thought they are helping business and at the same time offer an amendment which will be harmful to business.

No matter how you may vote, this amendment will cost business more for this year than business will pay under the existing tax. The amendment attempts to go back to 1938 with a carry-over of losses against 1939 profits. It does not take into consideration going back to 1938 in applying the elimination of the \$2,000 limitation on corporations on capital gains that exist under the present law, and giving such corporations the benefit in 1939 returns.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. If this bill that we are voting on today is good for business in 1940, why is it not good for business in 1939?

Mr. McCORMACK. The answer to that is very simple.

Mr. JENKINS of Ohio. I hope the gentleman will find it as simple as he says it is.

Mr. McCORMACK. The gentleman's hope is a matter that I hope I will disappoint him on.

In the first place, the chairman of the Ways and Means Committee has stated that corporations have already paid their taxes for the 1938 business.

Mr. JENKINS of Ohio. Not on 1939.

Mr. McCORMACK. I said 1938. The effect of this amendment is to go back to 1938 and allow the losses for 1938 to be offset against 1939 gains. That is what this amendment means.

We are providing in this bill for 1939 losses being offset against 1940 gains. If we wait until next year it means this carry-over is only deferred 1 year longer. What the gentleman from Ohio [Mr. JENKINS] argues for is to allow the carry-over of losses to go back to 1938, starting with January 1, 1938, and including all losses for the current year or all losses of corporations that have a fiscal year starting any time in 1938. Those corporations have paid their taxes. The great majority of them have paid their 1938 corporation taxes to date. Most of them are payable upon a current basis, on March 15, 1939.

In applying the 18-percent normal rate we gave not only a 2-year carry-over of losses as an advantage to business, but that is only one of the reasons why we stepped up the normal rate. The other is the elimination of the \$2,000 limitation on corporate capital gains. Remember, Mr. Chairman, the effective rate under existing law for corporations for a net income over \$25,000 a year is 17.25 percent. In other words, by effective rate I mean that all the corporations under the present law, based on their last returns, that earned income over \$25,000, if you group them all together, paid an average of 17.25 percent. We are stepping up for all those corporations the corporate tax of three-quarters of 1 percent, but we are giving them the compensating advantage of a carry-over of loss for 2 years and also the elimination of \$2,000 capital-gains limitation. That \$2,000 elimination means a lot to business. The carry-over of losses for 2 years means a lot to business.

The amendment offered by the gentleman from Massachusetts [Mr. TREADWAY] would result in a tremendous loss in revenue. It would discriminate between corporations that have paid their taxes for 1938 and those few that have not, and it would not give the corporations this year any consideration so far as the \$2,000 limitation of capital gains is concerned, to which I have referred on several occasions. [Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. TREADWAY].

The question was taken; and on a division (demanded by Mr. TREADWAY) there were—ayes 65, noes 109.

So the amendment was rejected.

Mr. COOPER. Mr. Chairman, I have three clarifying amendments of a technical nature which I want to present, and I ask unanimous consent that they may be considered en bloc. They are only technical clarifying amendments.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee [Mr. COOPER]?

There was no objection.

The Clerk read as follows:

Committee amendments offered by Mr. COOPER: Page 13, strike out lines 5 to 9, inclusive, and insert:

"(4) Long-term capital gains and long-term capital losses shall be taken into account without regard to the provisions of section 117 (b). As so computed the amount deductible on account of long-term capital losses shall not exceed the amount includible on account of the long-term capital gains, and the amount deductible on account of short-term capital losses shall not exceed the amount includible on account of the short-term capital gains;

Page 13, line 15, after the period insert: "For the purposes of this paragraph deductions and gross income shall be computed with the exceptions and limitations specified in paragraphs (1) to (4) of this subsection."

Page 13, after line 20, insert:

"(c) Allowance of deduction to estates, trusts, and participants in common trust funds: The Internal Revenue Code is amended by inserting after section 169 the following new section:

"Sec. 17. Net operating losses.

"The benefit of the deduction for net operating losses allowed by section 23 (s) shall be allowed to estates and trusts under regulations prescribed by the Commissioner with the approval of the Secretary. The benefit of such deduction shall not be allowed to a common trust fund, but shall be allowed to the participants in the common trust fund under regulations prescribed by the Commissioner with the approval of the Secretary."

"(d) Allowance of deduction to partners: The Internal Revenue Code is amended by inserting after section 188 the following new section:

"Sec. 189. Net operating losses:

"The benefit of the deduction for net operating losses allowed by section 23 (s) shall not be allowed to a partnership but shall be allowed to the members of the partnership under regulations prescribed by the Commissioner with the approval of the Secretary."

"(e) Allowance of deduction to insurance companies:

"(1) Section 203 (a) of the Internal Revenue Code (relating to deductions of life insurance companies) is amended by inserting at the end thereof the following new paragraph:

"(8) The amount of the net operating loss deduction provided in section 23 (s)."

"(2) The Internal Revenue Code is amended by inserting after section 207 the following:

"Sec. 208. Net operating losses:

"The benefit of the deduction for net operating losses allowed by section 23 (s) shall be allowed to insurance companies subject to the taxes imposed in this supplement under regulations prescribed by the Commissioner with the approval of the Secretary."

Page 13, line 21, strike out "(c)" and insert "(f)"; page 14, line 4, strike out "(d)" and insert "(g)"; page 14, line 12, strike out "(e)" and insert "(h)"; page 14, line 22, strike out "(f)" and insert "(i)"; page 15, line 4, strike out "(g)" and insert "(j)."

Mr. SMITH of Ohio. Mr. Chairman, I rise in opposition to the amendments.

Mr. Chairman, the amendments are rather extensive and there are a lot of us who do not understand what they mean. We would like to have an explanation.

Mr. COOPER. I will ask the gentleman's indulgence for only a moment. These amendments are purely of a technical and perfecting nature. The drafting service found it necessary to make certain provisions to conform or fit in with certain other provisions.

The amendments are to make it possible for the net loss carry-over for individuals and partnerships to conform to the treatment that is accorded to corporations.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. I should like to say to the gentleman from Ohio, who made this inquiry of the gentleman from Tennessee, that in a bill like this there are bound to be technical corrections made at almost any stage of the consideration of the bill. I do not have a definite comprehension of just what these changes are, but I may say to the gentleman from Ohio that I have so much confidence in the drafting service, as represented by Mr. O'Brien, from his work during all the period we have had this bill under consideration, that I am sure there is nothing in these amendments that in any way changes the policy in the bill. I believe they arise simply from the necessity he has found of making corrections so the bill may be properly drawn.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from New York.

Mr. REED of New York. I just wanted to bring out for the benefit of the gentleman from Ohio that it was decided at a very late moment to put in the bill the provisions to which he refers, and the drafting service has not had an opportunity to work them out completely and technically until the last minute.

Mr. COOPER. The gentleman is correct in that statement.

Mr. REED of New York. These changes, of course, were suggested by our side.

Mr. COOPER. No change in policy whatever is involved. These are purely technical, clarifying, and perfecting provisions.

The first amendment relates to the computation of capital gains and losses of individuals for computing the net-loss deduction.

The bill extends the benefits of the net operating loss provision to taxpayers other than corporations. Under the present law an individual in computing his gain from sales or exchanges of long-term capital assets takes into account only the percentages specified in section 117 (b) (ranging from 50 percent to 100 percent) of the gain. In computing his deduction for long-term capital losses the amount of the loss is reduced by the same percentage. As a result, his actual gain will often be greater than the amount included on account of the long-term capital gains and his actual loss may be greater than the amount deductible. The effect of this amendment is to make him compute, for the purposes of the net operating loss deduction, his long-term capital gains and his long-term capital losses without regard to such percentages. The object of the amendment is to reach a truer figure representing the individual's economic income than the bill provides. Since corporations are not subject to the percentage provisions the amendment in no way affects them.

The second amendment is a technical amendment to make it clear that in computing the limitation in paragraph (5) (limiting nonbusiness deductions to the amount of nonbusiness gross income) the reference to deductions and gross income means deductions and gross income computed with the exceptions and limitations specified in the preceding provisions of section 122 (d).

The third series of amendments provides the special technical provisions necessary to allow the deductions to life-insurance companies, and for estates and trusts, and to disallow it to partnerships and give it to the partners, and to disallow it to common trust funds and give it to the participants in the fund. These amendments are very similar to the provisions of the 1928 act, which allowed a similar carry-over to insurance companies, estates and trusts, and partners.

[Here the gavel fell.]

The CHAIRMAN. The question is on the committee amendments offered by the gentleman from Tennessee.

The committee amendments were agreed to.

Mr. VOORHIS of California. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. VOORHIS of California: On page 35, line 23, after section 219, insert a new section to read as follows: "SEC. 220. Notwithstanding any other provisions of this act or of any other law to the contrary, income derived by a taxpayer from securities issued by the Federal Government or by a State, Territory, or any agency, instrumentality, or political subdivision thereof, shall be included in the taxpayer's gross income and shall be taken into account in computing the tax of such taxpayer: *Provided, however,* That against the total tax so computed there shall be allowed a credit equal to the amount of tax which would have been payable under this act if such taxpayer had a net income equal in amount to the actual income, if any, derived by such individual from securities issued by a State or Territory, or any agency, instrumentality, or political subdivision thereof, prior to the enactment of this act."

Mr. COOPER. Mr. Chairman, I reserve a point of order against the amendment.

Mr. VOORHIS of California. Mr. Chairman, I anticipated that that would be the case, and I thank the gentleman from Tennessee for his generosity in reserving the point of order.

Mr. Chairman, this is almost the same amendment I offered last year, when in the consideration thereof the members of the committee stated that it was a matter the committee intended to take up for future consideration. Far be it from me to suggest that the Ways and Means Committee could possibly have done more in this session of Congress than they have done, but I am convinced this is a matter of basic importance and I should like to explain the amendment briefly.

This amendment does not make taxable income from tax-exempt securities. What it does is provide that income from tax-exempt securities must be taken into account in determining gross income, so that the exemption is taken

on the lower brackets of the income instead of on the very highest brackets of the income.

I can explain the amendment better by quoting from a statement of Mr. CARTER GLASS when he was Secretary of the Treasury:

It is intolerable that taxpayers should be allowed, by purchase of exempt securities, not only to obtain exemption with respect to the income derived therefrom, but to reduce the supertaxes upon their other income and to have the supertaxes on their other income determined upon the assumption, contrary to fact, that they are not in possession of income derived from State and municipal bonds.

My amendment includes income from Federal as well as State and local bonds.

Mr. CELLER. Mr. Chairman, will the gentleman yield? Mr. VOORHIS of California. I yield to the gentleman from New York.

Mr. CELLER. Why does not the gentleman go the whole way and take off the exemptions entirely?

Mr. VOORHIS of California. Because I do not believe you can do that with bonds that are already outstanding inasmuch as they have been issued with the understanding on the part of the purchaser that they will be exempt under certain circumstances.

Mr. CELLER. You could do it for all future issues.

Mr. VOORHIS of California. I believe we could do that, but after all, that is in our hands as far as Federal bonds are concerned. We can refuse to authorize the issuance of any future tax-exempt bonds. If we get this principle written into law I will be well content, namely, the principle that tax exemption shall never be carried to the extent of enabling people to reduce the surtaxes on their income, and requiring in effect that the exemption they do get must be an exemption in the lower tax brackets rather than at the very top. I believe furthermore that as a measure for encouraging investment a measure of this kind would be an extremely salutary one.

Mr. COOPER. Mr. Chairman, I make the point of order against the amendment that it is not germane to this title of the bill.

The CHAIRMAN (Mr. LANHAM). In the opinion of the Chair, this title dealing with income-tax amendments with reference to corporations and the amendment offered by the gentleman from California dealing with income taxes on individuals, the amendment clearly is not germane to this title. The Chair, therefore, sustains the point of order.

Mr. JONES of Ohio. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JONES of Ohio: Page 10, line 22, strike out "(relating"; line 23, strike out "to deductions from gross income"; page 10, line 24, after the colon, add:

"(o) Charitable and other contributions: In the case of an individual, contributions or gifts payment of which is made within the taxable year to or for the use of:

"(1) the United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, for exclusively public purposes;

"(2) a domestic corporation, or domestic trust, or domestic community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation;

"(3) the special fund for vocational rehabilitation authorized by section 12 of the World War Veterans' Act, 1924, 43 Stat. 611 (U. S. C., title 38, par. 440);

"(4) posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual; or

"(5) a domestic fraternal society, order, or association, operating under the lodge system, but only if such contributions or gifts are to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals;

to an amount which in all the above cases combined does not exceed 25 percent of the taxpayer's net income as computed

without the benefit of this subsection. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Commissioner, with the approval of the Secretary."

Mr. COOPER. Mr. Chairman, I reserve a point of order against this amendment.

Mr. JONES of Ohio. Mr. Chairman, I thank the gentleman from Tennessee for reserving the point of order.

The amendment I have just proposed is the same provision that was in the 1938 Income Tax Act and in the new codification in 1939, with the exception that it grants an exemption of 25 percent to the donor instead of 15 percent. The purpose of this amendment is to return to the cities and villages and the municipalities and the local State governments, and to the churches, the benefit societies, and all the local agencies, the heritage they had for nearly 150 years before this administration came into power.

Without this amendment, 15 percent of a donor's income is exempted for contributions to churches, veterans' organizations, municipalities, and universities. The amendment would give an exemption of 25 percent of a donor's income. The 25-percent exemption would enlarge contributions to these worthy causes just 10 percent. We must save these worthy institutions which are a part of the fabric of American tradition. This Congress must observe the old adage that "you can lead a horse to water but you cannot make him drink." We must face the facts and meet the issue with this kind of an exemption to save the warp and woof of American local community life, municipal entity, State sovereignty, and Federal sovereignty.

I offer this amendment for the purpose of restoring to the local communities their heritage of a little less than 150 years. I refer to the contributions to community chests, churches, municipal governments, universities, and schools by men who are interested in the culture of our country, in the religious well-being of our country, in the endowment of our youth with educational facilities, in the endowment of our cities and towns with libraries, our police departments with equipment for the apprehension of criminals, for the purchase of laboratory equipment, for the endowment of hospitals and relief of the suffering, for the study of diseases.

For years great universities have been founded, builded, and sustained by endowments. Many of these endowments have been invested in bonds of commercial enterprises that are nonproductive, the value of the endowments have gone down; there has been no encouragement on the part of the Federal Government to help build them up and to appeal to men like Andrew Carnegie, Henry Ford, and John D. Rockefeller, who made large fortunes before Government disbelieved in private enterprise, to contribute to these great humanitarian measures. In some instances for every dollar that is contributed over the 15-percent exemption to a community chest, municipality, or a church, the donor has to pay a 67-cent bounty to the Federal Government because the present provision gives only an exemption of 15 percent of a person's income for such worthy contributions.

You gentlemen from New England know of the devastating storm and what it did to your churches and your schools. I know that one denomination alone had a fund of two and a half million dollars collected together over a period of years by donations of devout religious people that was used by the several churches of the Congregational denomination to rebuild these edifices destroyed by the storm in New England.

You folks along the river valleys that have been flooded in the last few years have had to face similar situations. Extraordinary floods have destroyed your beautiful edifices.

We have almost made it impossible for local communities to take care of their relief problem because we have closed the avenue of inducement to individuals who could and would pay to these worthy causes if they were given any inducement by the Federal Government. We, since the inception of this administration, have inaugurated a system of taxation that is prohibitive for the great community

chests to get the large contributions from the larger brackets because we have put up a barrier between the success of a drive for money on behalf of these humanitarian organizations and the Federal Government. We have reached out the hand of the Government, and we have said "no" to the local agencies that have handled relief for years, and we have said "Your Government can take care of the misery and human suffering better than anyone else," and we have turned the relief of misery and suffering over to politicians. Every one of you knows that if private agencies like the family societies and community chests in the small towns and cities throughout the United States were given one-half of the money that was handed out from the very beginning by the Federal Government to political appointees of the Federal relief agencies that the local organizations would have done a better job to relieve suffering. The Federal Government would have been saved from the graft and corruption of the political Pendergasts and his kind.

I appeal to you to support this amendment in order to help these private social agencies to carry on the work that you want to turn back to the States. Cut the necessity for Federal taxation. Rehabilitate private relief agencies that have been nearly destroyed during the last 4 years. Let us offer an inducement to private individuals to buy modern equipment for our police departments. Let us encourage those who are able to make gifts and donations and endowments to hospitals and clinics.

I hope you will support the amendment and that the gentleman will withdraw his point of order.

Mr. COOPER. Mr. Chairman, I make the point of order against the amendment.

The CHAIRMAN. For the reasons cited in ruling on the last point of order against the amendment offered by the gentleman from California, the Chair sustains the point of order made by the gentleman from Tennessee to the amendment offered by the gentleman from Ohio.

The Clerk read as follows:

TITLE III—CAPITAL STOCK AND EXCESS PROFITS TAXES

Sec. 301. Declaration of value for capital-stock purposes, 1939 and 1940.

Section 1202 of the Internal Revenue Code (relating to declaration of capital-stock value) is amended by inserting at the end thereof the following new subsection:

"(e) Additional declaration years: In the case of any domestic corporation, the year ending June 30, 1939, and the year ending June 30, 1940, shall each, if not otherwise a declaration year, constitute an additional declaration year if with respect to such year (1) the taxpayer so elects (which election cannot be changed) in its return filed before the expiration of the statutory filing period or any authorized extension thereof, and (2) the value declared by the taxpayer is in excess of the adjusted declared value computed under paragraph (1) of subsection (b). If, under this subsection, the year ending June 30, 1939, is a declaration year, the computation, under paragraph (1) of subsection (b), of the adjusted declared value for the year ending June 30, 1940, shall be made on the basis of the value declared for the year ending June 30, 1939."

Mr. CELLER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, in the Revenue Act of 1934, by section 351, the Congress enacted surtaxes upon a certain class of corporations defined as personal holding companies. This surtax was introduced for the first time in the Revenue Act of 1934 in the above-mentioned section.

This tax grew out of such testimony before the Ways and Means Committee conducted by special representatives of the Treasury Department, and is disclosed as set forth in the report of Hon. ROBERT L. DOUGHTON, our chairman, before the Committee on Ways and Means (1939), *Accumulative Bulletin 9-9737*, page 23, and under subsection 4 of that report, carrying the title "Personal Holding Companies," is found the following statement by the committee:

Perhaps the most prevalent form of tax avoidance practiced by individuals with large incomes is the scheme of the "incorporated pocketbook." That is, an individual forms a corporation and exchanges for its stock his personal holdings in stock, bonds, or

other income-producing property. By this means the income from the property pays corporation tax, but no surtax is paid by the individual if the income is not distributed.

Thus, a corporation which falls within this section because of the nature of its business and the number of its stockholders can always escape this tax by distributing to its stockholders at least 90 percent of its adjusted net income. The stockholder will, of course, be subject to the graduated surtaxes upon such distributions. Thus, the section should work no real hardship upon any corporation except one which is being used to reduce surtaxes upon its shareholders.

The effect of this system recommended by your committee is to provide for a tax which will be automatically levied upon the holding company without any necessity for proving a purpose of avoiding surtaxes. It is believed that the majority of these corporations are in fact formed for the sole purpose of avoiding the imposition of the surtax upon the stockholders.

No mention was made by the committees of Congress who drafted the Revenue Act of 1935 about any taxation problem upon personal holding companies, though a number of representations were made to various members of the committee by the representatives of such companies and border-line problems.

After the issuance of the regulations under the Revenue Act of 1934 in regard to personal holding companies, pleas were made both to the administrative authorities and to the appropriate Members of Congress, that the matter of administration included not only companies which constituted "incorporated pocketbooks," and which in no sense of the word were companies to which individuals had transferred their holdings in stocks, bonds, or other income representing profits, but were including corporations originally formed to carry on businesses, and were direct operating companies starting from scratch.

One of these groups were small-loan companies, who dealt with hundreds of thousands of people and with hundreds of personnel, and a multiplicity of transactions.

As a result of the petition, these small-loan companies did business under special State statutes, some States adopting a policy of declaring all charges by them "interest," other States setting up a system of "interest and expenses" such as Massachusetts, Tennessee, Ohio, and California.

In any event we gave relief to these small-loan companies of section 402 of the act of 1938, and said in so many words, that they were not "personal holding companies," provided 80 percent or more of their income was "interest."

Now, some States hold all charges of such companies as "interest." But other States, like Massachusetts, Ohio, Tennessee, and California, separate "interest" from other charges.

The only intake or income these companies have is so-called "interest" but some States do not call that intake, entirely "interest," others do. Some States attribute that income to "interest and other charges" like rent, advertising, labor, reports, commissions, bad debts, and so forth. Thus said income in some States may not be 80 percent "interest." In such States the Internal Revenue Bureau claims these small-loan companies to be "personal holding companies." That is serious to such companies. Thus one company in one State is exempt from being called a "personal holding company" and does not have to pay the huge punitive tax of such "incorporated pocketbook," yet across the river in the neighboring State a company doing the self-same small-loan business in exactly the same way is thus penalized.

That discrimination is absurd. The Internal Revenue Department must stop it. It must heed the reports of our committees in interpreting statutes.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. CELLER. I yield.

Mr. DISNEY. These small-loan operating finance companies have not been considered personal holding companies.

Mr. CELLER. I think the gentleman is correct, but some of these companies have been deemed personal holding companies by the Internal Revenue Bureau. I think such interpretation is erroneous, and I rise today to indicate to the Internal Revenue Bureau their error. It is ridiculous

to classify any of them as "incorporative pocketbooks" no matter what the State law may be concerning "interest."

Mr. DISNEY. It was not the intention of the committee, as I recall the discussion, to include any operating finance companies and make them "personal holding companies."

Mr. CELLER. I think it would be grievously wrong to do so, but they have done so because of the definition of "interest" under various State practices, and for that reason I do hope the Internal Revenue will take heed in this connection.

Mr. BOLAND. No changes have been made to section 402 in the present bill, because, as a member of the Ways and Means Committee, I say it is generally conceded that it does not apply to commercial business. It has been clarified and developed since originally introduced as section 351 of the Revenue Act of 1934. Such sections were never intended to apply to operating financial companies.

Mr. CELLER. I thank the gentleman. Let me continue with the history of this matter.

These companies, I repeat, never did fall within the definition or the objective described in the report of the Committee on Ways and Means, which I mentioned before, and they always thought themselves not within the statute. They, however, realized that owing to the multiplicity of definition and content of many words, such as "interest" that seems to have a varying content of meaning in almost each of the 48 jurisdictions that they might be so included, and when the Commissioner of Internal Revenue so declared, they thought best to file a petition for clarification of the statute in regards to themselves.

This petition was heard, and the objectives granted by an amendment to the Revenue Act of 1936, and is mentioned in the report of the Senate Finance Committee (1939), Accumulative Bulletin No. 5-9697, page 30, where the following comments were made:

The House bill omitted section 351 of existing law imposing a surtax upon personal holding companies. Your committee has retained, with changes, the provisions of existing law as this section has proved very effective in preventing accumulations in corporations to prevent the imposition of surtax on shareholders. The following changes have been made over existing law:

(2) An exemption has been granted small-loan companies making loans to individuals in principal not exceeding \$300 outstanding at any one time in the case of any individual, if such interest is lawful, is not payable in advance or compounded, and is computed only on unpaid balances. These companies are subject both to normal tax and the 7-percent undistributed-profits tax applicable to ordinary corporations.

In the meantime, Senator CONNALLY, of Texas, had persuaded the committees of Congress that their definitions of personal holding companies were including companies that in truth did not fall within the definition and description of the committee report of 1934 that dealt in oil royalties, and this change was made in prior legislation.

In the Revenue Act of 1938 rearrangement was made, and section 351 and following sections became section 401 and following sections, and there were minor amendments made regarding consolidated returns in their relation to personal holding companies, and certain deductions which were commented upon by Senator HARRISON, of the Senate Committee on Finance, are found in (1939) Accumulative Bulletin No. 2-9669, page 39.

Also in the Revenue Act of 1938 other changes were made regarding rent, dividend carry-over, and certain other limitations, and a coordination of personal finance company sections with other sections of the statute against unreasonable accumulation of surplus and undivided profits; namely, section 102.

This resulted in a legislative contest and was finally eliminated from the Revenue Act of 1938, and the only changes commented upon by the finance committee were adopted. This legislative contest disclosed that it was never the intention of the Congress that genuine operating companies should be subject to special surtax where their accumulations were reasonable, and for needs of the business this

same idea has been passed upon by the courts in numerous cases, and there seems to be a general unanimity of opinion.

Attention has been called to the Committee on Ways and Means from numerous sources of classification of corporations that were in no sense of the word thought of or availed of to avoid surtax upon their shareholders but were necessary for the compliance with State laws or of State or Federal laws, such as using the corporate form as a liquidating process of slow and delinquent notes after the bank emergency of 1933, many situations being found where responsible directors used such a legal process in order to minimize loss, and promising and contracting to make up the difference, or to meet some statutory requirements as to ownership carrying on a commercial business of development and of enterprise.

Mr. REED of New York. Mr. Chairman, I move to strike out the last word.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that all debate upon the title and all amendments thereto close in 5 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. REED of New York. Mr. Chairman, without casting any reflection upon the ability of any Member of this House, I think that its membership will agree with me that there is no more persuasive man in the House when he takes the floor than the gentleman from Massachusetts [Mr. McCORMACK]. He has made a very plausible but not convincing argument with reference to the motion recently made to make this bill apply to taxation for 1939. Let us not be misled nor deceived, and I am sure that he did not wish to deceive. I would not charge him with that, but perhaps the atmosphere is becoming a little surcharged with politics. What we in the minority are interested in doing, as we have been through all of the deliberations of the committee, is to endeavor to bring about changes in the revenue law that will be beneficial to business, not a year or two hence, but now. Members of the House on either side who have been to their home districts in recent weeks know that the conditions at home are far different from what they are here in Washington. Business has its back to the wall. It is fighting for a chance to survive. It is looking to this Congress for some appeasement, for some help, and here we have an opportunity by passing a motion to recommit similar to the motion to amend offered by Representative TREADWAY, of Massachusetts, to make this bill effective for the taxpayer in 1939, and that is precisely what we ought to do if we are sincere in our effort to help business. [Applause.]

The CHAIRMAN. Without objection, the pro forma amendment will be withdrawn and the Clerk will read.

The Clerk read as follows:

TITLE IV—MISCELLANEOUS AMENDMENTS

SEC. 401. Tax liens on securities.

Section 3672 of the Internal Revenue Code is amended to read as follows:

"Sec. 3672. Validity against mortgagees, pledgees, purchasers, and judgment creditors.

"(a) Invalidity of lien without notice: Such lien shall not be valid as against any mortgagee, pledgee, purchaser, or judgment creditor until notice thereof has been filed by the collector—

"(1) Under State or Territorial laws: In accordance with the law of the State or Territory in which the property subject to the lien is situated, whenever the State or Territory has by law provided for the filing of such notice; or

"(2) With clerk of district court: In the office of the clerk of the United States district court for the judicial district in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice; or

"(3) With clerk of District Court of the United States for the District of Columbia: In the office of the clerk of the District Court of the United States for the District of Columbia, if the property subject to the lien is situated in the District of Columbia.

"(b) (1) Exception in case of securities: Even though notice thereof has been filed in the manner prescribed in subsection (a), such lien shall not be valid with respect to a security, as defined in paragraph (2), as against any mortgagee, pledgee, or purchaser, of such security, for an adequate and full consideration in money or money's worth, if at the time of such mortgage, pledge, or pur-

chase such mortgagee, pledgee, or purchaser is without notice or knowledge of the existence of such lien.

"(2) Definition of security: As used in this subsection the term 'security' means any bond, debenture, note, or certificate, or other evidence of indebtedness, issued by any corporation (including one issued by a government or political subdivision thereof), with interest coupons or in registered form, share of stock, voting trust certificate, or any certificate of interest or participation in, certificate of deposit or receipt for, temporary or interim certificate for, or warrant or right to subscribe to or purchase, any of the foregoing; negotiable instrument; or money.

"(3) Applicability of subsection: Except where the lien has been enforced by a civil action which has become final before the date of enactment of the Revenue Act of 1939, this subsection shall apply regardless of the time when the mortgage, pledge, or purchase was made or the lien arose."

SEC. 402. Tax on transfers of worthless securities by executor, etc.

Section 1802 (b) of the Internal Revenue Code (relating to the tax on transfers of capital stock and similar interests) is amended by inserting at the end thereof the following new paragraph:

"The tax imposed by this subsection shall not be imposed upon any delivery or transfer by an executor or administrator to a legatee, heir, or distributee of shares or certificates of stock if it is shown to the satisfaction of the Commissioner that the value of such shares or certificates is not greater than the amount of the tax that would otherwise be imposed on such delivery or transfer."

Mr. MILLER. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. MILLER: Page 39, after the period on line 15, insert a new section, as follows:

"It shall be unlawful for any person to sell, offer for sale, or circulate, for any consideration whatsoever, any copy or reproduction of any list, or part thereof, authorized to be made public by this act or by any prior act relating to the publication of information derived from income-tax returns; and any offense against the foregoing provision shall be a misdemeanor and be punishable by a fine not exceeding \$1,000, or by imprisonment not exceeding 1 year, or both, at the discretion of the court: *Provided*, That nothing in this sentence shall be construed to be applicable with respect to any newspaper or any other periodical, publication, entitled to admission to the mails as second-class mail matter."

Mr. COOPER. Mr. Chairman, I make the point of order that the amendment of the gentleman from Connecticut is not germane to the title under consideration.

Mr. MILLER. Mr. Chairman, I realize that the hour is getting late, and I shall take only 2 or 3 minutes. I think there is not a member of this Committee who does not realize the situation that exists, namely, that information is turned over to the Federal Government by the taxpayers, and that that information is getting into the hands of not only those who are making a living selling these so-called sucker lists, but more important than that, getting into the hands of racketeers, and others who use the information for definitely unlawful purposes. I know that some who have studied this situation feel sure that back of the wave of kidnaping we had in this country 2 years ago was the fact that so much information could be obtained from the Internal Revenue Department.

If this amendment be ruled out on a point of order, I hope that before Congress adjourns we may do something to stop this information from getting into the hands of these racketeers. The amendment I have offered does exempt newspapers, periodicals, that are allowed to go through the United States mail, but it would to quite an extent, I believe, correct this evil.

Mr. COOPER. Mr. Chairman, I make the point of order against the amendment upon the ground that it is not germane.

The CHAIRMAN. The title under consideration deals with transfers of worthless securities. The amendment offered by the gentleman from Connecticut [Mr. MILLER] deals with making public the names of income-tax payers. The amendment is clearly not germane to the section or the title under consideration, and the Chair, therefore, sustains the point of order.

Mr. MILLER. Mr. Chairman, do I understand the Chair to state that the amendment is not germane to section 402?

The CHAIRMAN. It is not germane to title IV.

Mr. MILLER. I intended to have it read as a new section.

The CHAIRMAN. The Chair understood it was a new section under title IV, and the amendment offered by the gentleman is not germane to the subject matter of title IV.

Mr. MILLER. Would it be in order to ask the Chair this question: Where or when could such an amendment be offered?

The CHAIRMAN. It is not within the province of the Chair to state that.

Mr. MOTT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MOTT: On page 39, in line 15, insert a new section, as follows:

"Section 3424 is amended by striking out the following:

"The tax imposed by this subsection shall not apply to lumber of northern white pine (*Pinus strobus*), Norway pine (*Pinus resinosa*) and western white pine."

Mr. COOPER. Mr. Chairman, I make a point of order against the amendment. It is certainly not germane. If germane at all it would have been germane under title I, which was passed long ago.

Mr. MOTT. I would like to be heard on the point of order, Mr. Chairman.

The CHAIRMAN. The Chair will hear the gentleman from Oregon.

Mr. MOTT. Mr. Chairman, this amendment has nothing to do with title I. Title I simply extends the provision of existing law on the subject covered by title I. In the last Congress an amendment was made in committee to the tax bill, in which amendment the import excise tax on certain species of lumber was taken off. This is a tax bill covering the same general subject, and as a new section to this tax bill I offer this as an amendment to section 3424 of the existing tax law, and not as an amendment to any part of title I of the pending bill. It does not have anything to do with title I of the pending bill.

Mr. COOPER. Mr. Chairman, of course title I of the pending bill covers excise taxes, including the excise tax on imported lumber, to which the amendment of the gentleman from Oregon relates. Certainly the amendment is not germane at this point in the bill.

The CHAIRMAN (Mr. LANHAM). The Chair is ready to rule. An amendment must be germane to the title under which it is offered. Otherwise it would be subject to a point of order.

Section 3424 of the revenue law, sought to be amended by the amendment offered by the gentleman from Oregon, is classified in the general revenue law under "Manufacturers' excise and import taxes."

Title IV now under consideration has to do with taxes on securities. In the opinion of the Chair, if the amendment had been germane it would have been germane to title I rather than to title IV of the bill under consideration. The Chair sustains the point of order.

Mr. MOTT. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MOTT. Suppose this amendment were offered as a new title in the pending bill; would it then be germane or not?

The CHAIRMAN. In the opinion of the Chair, that would make no difference, because the bill as presented contains an excise tax title.

Mr. MOTT. Mr. Chairman, if I may make this observation, the amendment I am now seeking to offer does not have anything to do with excise taxes.

The CHAIRMAN. The Chair will state to the gentleman that in the Internal Revenue Code it is so incorporated, section 3424, under "Manufacturers' excise and import taxes," whereas title IV deals with an entirely different subject matter.

Mr. MOTT. It strikes out certain provisions, or makes an exception to the provision having to do with import excise taxes. I do not understand there is any limit to the number of titles there may be to a bill. Did the Chair answer my parliamentary inquiry?

The CHAIRMAN. If the Chair understands the gentleman's parliamentary inquiry, the Chair will state in reply

that in the Internal Revenue Code, section 3424, sought to be amended by the amendment offered by the gentleman from Oregon, is under the classification of "Manufacturers' excise and import taxes." Title IV has nothing to do with that subject, but excise taxes are dealt with under title I of the pending bill. Consequently, if the amendment had been germane it would have been germane under title I of the bill rather than under title IV. It would not be in order or germane as a new title, by reason of the fact there is already a title in the bill dealing with the subject matter to which the amendment would have been germane.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise and report the bill back with sundry amendments, with the recommendation that the amendments be agreed to and the bill, as amended, do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. LANHAM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 6851) to provide revenue, equalize taxation, and for other purposes, directed him to report the same back to the House with sundry amendments, with the recommendation that the amendments be agreed to and the bill, as amended, do pass.

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the bill and all amendments to final passage.

The previous question was ordered.

The SPEAKER. Is a separate vote demanded on any amendment? If not, the Chair will put them en gross.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. TREADWAY. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. TREADWAY. I am opposed to certain features of it.

The SPEAKER. The Clerk will report the motion.

The Clerk read as follows:

Mr. TREADWAY moves to recommit the bill (H. R. 6851) to provide revenue, equalize taxation, and for other purposes, to the Committee on Ways and Means, with instructions to report the same back to the House forthwith with the following amendments:

Page 10, line 14, strike out "1939" and insert "1938."

Page 11, line 3, strike out "1939" and insert "1938."

Page 13, lines 16 and 20, strike out "1939" and insert "1938."

Page 15, line 23, strike out "1939" and insert "1938."

Page 35, strike out lines 20 to 23, inclusive, and insert in lieu thereof the following:

"The amendments made by this title to the Internal Revenue Code shall be effective with respect to taxable years beginning after December 31, 1938."

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

Mr. HOOK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. HOOK. Is it in order for a Member to offer a motion to recommit who does not state he is opposed to the whole bill? The gentleman from Massachusetts stated that he was opposed to only certain features of it.

The SPEAKER. Had any Member risen stating that he was unqualifiedly opposed to the bill as a whole he would have qualified in preference to the gentleman from Massachusetts. In the absence of such action the gentleman, under the rule, was permitted to make his motion to recommit on his statement that he was opposed to some section of the bill.

The question is on the motion to recommit.

The question was taken; and on a division (demanded by Mr. TREADWAY) there were—ayes 125, noes 183.

Mr. TREADWAY. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 150, nays 205, not voting 76, as follows:

[Roll No. 96]

YEAS—150

Alexander	Fenton	Kinzer	Sandager
Allen, Ill.	Fish	Knutson	Schafer, Wis.
Andersen, H. Carl	Ford, Leland M.	Kunkel	Seccombe
Anderson, Calif.	Gamble	Landis	Seger
Andresen, A. H.	Gartner	LeCompte	Shafer, Mich.
Andrews	Gearhart	Lemke	Short
Angell	Gerlach	Lewis, Ohio	Simpson
Arends	Gilchrist	Luce	Smith, Maine
Barton	Gillie	McDowell	Smith, Ohio
Bates, Mass.	Graham	McLean	Springer
Blackney	Grant, Ind.	McLeod	Stearns, N. H.
Bolles	Griswold	Maas	Stefan
Bolton	Gross	Mapes	Summer, Ill.
Brown, Ohio	Guyer, Kans.	Marshall	Sutphin
Carlson	Gwynne	Martin, Iowa	Taber
Carter	Hall	Martin, Mass.	Talle
Case, S. Dak.	Halleck	Mason	Taylor, Tenn.
Chipperfield	Hancock	Michener	Thill
Church	Harness	Miller	Thorkelson
Clason	Hawks	Monkiewicz	Tibbott
Clevenger	Heinke	Mott	Tinkham
Cole, N. Y.	Hess	Mundt	Treadway
Corbett	Hinshaw	Murray	Van Zandt
Crawford	Hoffman	O'Brien	Vorys, Ohio
Crowther	Holmes	Oliver	Vreeland
Culkin	Hope	Pittenger	Wadsworth
Curtis	Horton	Plumley	Welch
Darrow	Jarrett	Powers	Wheat
Dirksen	Jeffries	Reece, Tenn.	White, Ohio
Ditter	Jenkins, Ohio	Reed, Ill.	Wigglesworth
Dondero	Jenks, N. H.	Reed, N. Y.	Williams, Del.
Douglas	Jensen	Rees, Kans.	Winter
Dowell	Johnson, Ill.	Rich	Wolfenden, Pa.
Dworshak	Johnson, Ind.	Risk	Wolverton, N. J.
Eaton, Calif.	Jones, Ohio	Rodgers, Pa.	Woodruff, Mich.
Elston	Kean	Rogers, Mass.	Youngdahl
Engel	Keefe	Routzohn	
Englebright	Kennedy, Md.	Rutherford	

NAYS—205

Allen, La.	Dempsey	Kennedy, Michael	Peterson, Ga.
Allen, Pa.	DeRouen	Keogh	Pfeifer
Anderson, Mo.	Dingell	Kerr	Pierce, Oreg.
Ashbrook	Disney	Kilday	Poage
Barden	Doughton	Kitchens	Folk
Barnes	Doxey	Kleberg	Rabaut
Barry	Drewry	Kociaowski	Ramspeck
Bates, Ky.	Duncan	Kramer	Randolph
Beam	Durham	Lanham	Rankin
Beckworth	Eberhart	Larrabee	Rayburn
Bell	Edmiston	Lea	Robertson
Bland	Elliott	Leavy	Robinson, Utah
Bloom	Ellis	Lesinski	Romjue
Boland	Fay	Lewis, Colo.	Sacks
Boren	Ferguson	Ludlow	Sasscer
Brooks	Fernandez	McAndrews	Satterfield
Brown, Ga.	Flaherty	McArdle	Schaefer, Ill.
Bryson	Flannagan	McCormack	Schuetz
Buck	Flannery	McKeough	Schulte
Buckler, Minn.	Folger	McLaughlin	Schwert
Bulwinkle	Ford, Thomas F.	McMillan, John L.	Shanley
Burch	Fries	McMillan, Thos. S.	Sheppard
Burgin	Fulmer	MacJewski	Sirovich
Byrne, N. Y.	Garrett	Mahon	Smith, Conn.
Byrns, Tenn.	Gathings	Maloney	Smith, Va.
Byron	Gavagan	Marcantonio	Smith, Wash.
Cannon, Fla.	Gehrmann	Martin, Colo.	Smith, W. Va.
Cannon, Mo.	Geyer, Calif.	Martin, Ill.	Snyder
Cartwright	Gibbs	Massingale	South
Casey, Mass.	Gore	May	Sparkman
Celler	Gossett	Merritt	Spence
Chandler	Grant, Ala.	Mills, Ark.	Steagall
Chapman	Gregory	Mills, La.	Tarver
Claypool	Griffith	Monroney	Tenerowicz
Cochran	Hare	Moser	Terry
Coffee, Nebr.	Harrington	Mouton	Thomas, Tex.
Coffee, Wash.	Harter, Ohio	Murdock, Ariz.	Thomason
Cole, Md.	Havener	Murdock, Utah	Tolan
Collins	Healey	Nelson	Vinson, Ga.
Colmer	Hill	Nichols	Voorhis, Calif.
Connery	Hobbs	O'Connor	Wallgren
Cooley	Hook	O'Day	Walter
Cooper	Houston	O'Leary	Ward
Costello	Hull	O'Neal	Warren
Creal	Hunter	O'Toole	West
Crosser	Jacobsen	Owen	Whelchel
Crowe	Jarman	Parsons	Williams, Mo.
Cullen	Johnson, Luther A.	Patman	Wood
Cummings	Johnson, Lyndon	Patrick	Zimmerman
D'Alesandro	Johnson, Okla.	Patton	
Darden	Johnson, W. Va.	Pearson	
Delaney	Kee	Peterson, Fla.	

NOT VOTING—76

Arnold	Boykin	Burdick	Cox
Austin	Bradley, Mich.	Caldwell	Curley
Ball	Bradley, Pa.	Clark	Dickstein
Bender	Brewster	Cluett	Dies
Boehne	Buckley, N. Y.	Courtney	Dunn

Eaton, N. J.	Jones, Tex.	Norton	Smith, Ill.
Evans	Keller	Osmer	Somers, N. Y.
Faddis	Kelly	Pace	Starnes, Ala.
Fitzpatrick	Kennedy, Martin	Pierce, N. Y.	Sullivan
Ford, Miss.	Kirwan	Richards	Summers, Tex.
Gifford	Lambertson	Robison, Ky.	Sweeney
Green	McGehee	Rockefeller	Taylor, Colo.
Hart	McGranery	Rogers, Okla.	Thomas, N. J.
Harter, N. Y.	McReynolds	Ryan	Vincent, Ky.
Hartley	Magnuson	Sabath	Weaver
Hendricks	Mansfield	Schiffler	White, Idaho
Hennings	Mitchell	Scrugham	Whittington
Izac	Myers	Secrest	Wolcott
Johns	Norrell	Shannon	Woodrum, Va.

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Eaton of New Jersey (for) with Mr. Woodrum of Virginia (against).
 Mr. Wolcott (for) with Mr. Sullivan (against).
 Mr. Osmer (for) with Mr. Boehne (against).
 Mr. Robison of Kentucky (for) with Mr. Whittington (against).
 Mr. Ball (for) with Mr. Norrell (against).
 Mr. Cluett (for) with Mr. Smith of Illinois (against).
 Mr. Bender (for) with Mr. Secrest (against).
 Mr. Bradley of Michigan (for) with Mr. Fitzpatrick (against).
 Mr. Harter of New York (for) with Mr. Arnold (against).
 Mr. Austin (for) with Mr. Pace (against).
 Mr. Hartley (for) with Mr. Scrugham (against).
 Mr. Gifford (for) with Mr. Martin J. Kennedy (against).
 Mr. Schiffler (for) with Mr. Courtney (against).
 Mr. Johns (for) with Mr. Magnuson (against).
 Mr. Pierce of New York (for) with Mr. Hennings (against).
 Mr. Lambertson (for) with Mr. Somers of New York (against).
 Mr. Rockefeller (for) with Mr. Burdick (against).
 Mr. Thomas of New Jersey (for) with Mr. Dickstein (against).

General pairs until further notice:

Mr. Caldwell with Mr. Brewster.
 Mr. Cox with Mr. Myers.
 Mr. Jones of Texas with Mr. Evans.
 Mr. Mansfield with Mr. Bradley of Pennsylvania.
 Mr. Dies with Mr. Faddis.
 Mr. Starnes of Alabama with Mr. Keller.
 Mr. Weaver with Mr. Hart.
 Mrs. Norton with Mr. Ford of Mississippi.
 Mr. McReynolds with Mr. Buckley of New York.
 Mr. Boykin with Mr. Ryan.
 Mr. Taylor of Colorado with Mr. Dunn.
 Mr. Green with Mr. Sweeney.
 Mr. Summers of Texas with Mr. Kelly.
 Mr. Hendricks with Mr. Shannon.
 Mr. Richards with Mr. Kennedy of Maryland.
 Mr. McGehee with Mr. Vincent of Kentucky.
 Mr. Clark with Mr. Izac.
 Mr. McGranery with Mr. Mitchell.

Mr. BURDICK. Mr. Speaker, I desire to vote.

The SPEAKER pro tempore (Mr. RAYBURN). Does the gentleman qualify?

Mr. BURDICK. I do not know whether I qualify or not.

The SPEAKER pro tempore. Was the gentleman in the hall listening at the time his name was called?

Mr. BURDICK. No; I came in after the Clerk had passed my name.

The SPEAKER pro tempore. The gentleman does not qualify.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the passage of the bill.

Mr. DOUGHTON and Mr. MARTIN of Massachusetts rose.

The SPEAKER pro tempore. The Chair recognizes the gentleman from North Carolina.

Mr. DOUGHTON. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 357, nays 1, not voting 73, as follows:

[Roll No. 97]

YEAS—357

Alexander	Barnes	Bolton	Byrns, Tenn.
Allen, Ill.	Barry	Boren	Byron
Allen, La.	Barton	Brooks	Cannon, Fla.
Allen, Pa.	Bates, Ky.	Brown, Ga.	Cannon, Mo.
Andersen, H. Carl	Bates, Mass.	Brown, Ohio	Carlson
Anderson, Calif.	Beam	Bryson	Carter
Anderson, Mo.	Beckworth	Buck	Cartwright
Andresen, A. H.	Bell	Buckler, Minn.	Case, S. Dak.
Andrews	Blackney	Bulwinkle	Casey, Mass.
Angell	Bland	Burch	Celler
Arends	Bloom	Burdick	Chandler
Ashbrook	Boland	Burgin	Chapman
Barden	Bolles	Byrne, N. Y.	Chipperfield

Church	Gille	McCormack	Routzohn
Clason	Gore	McDowell	Rutherford
Claypool	Gossett	McGehee	Ryan
Clevenger	Graham	McKeough	Sacks
Cochran	Grant, Ala.	McLaughlin	Sandager
Coffee, Nebr.	Grant, Ind.	McLean	Sasser
Cole, Md.	Gregory	McLeod	Satterfield
Cole, N. Y.	Griffith	McMillan, John L.	Schaefer, Ill.
Collins	Griswold	McMillan, Thos. S.	Schafer, Wis.
Colmer	Gross	Maas	Schuetz
Connery	Guyer, Kans.	Maclejewski	Schulte
Cooley	Gwynne	Mahon	Schwert
Cooper	Hall	Maloney	Seccombe
Corbett	Halleck	Mapes	Seger
Costello	Hancock	Marcantonio	Shafer, Mich.
Crawford	Hare	Marshall	Shanley
Creal	Harness	Martin, Colo.	Sheppard
Crosser	Harrington	Martin, Ill.	Short
Crowe	Harter, Ohio	Martin, Iowa	Simpson
Crowther	Havener	Martin, Mass.	Sirovich
Culkin	Hawks	Mason	Smith, Conn.
Cullen	Healey	Massingale	Smith, Maine
Cummings	Heinke	May	Smith, Ohio
Curtis	Hess	Merritt	Smith, Va.
D'Alesandro	Hill	Michener	Smith, Wash.
Darden	Hinshaw	Miller	Smith, W. Va.
Darrow	Hobbs	Mills, Ark.	Snyder
Delaney	Hoffman	Mills, La.	South
Dempsey	Holmes	Monkiewicz	Sparkman
DeRouen	Hook	Monroney	Spence
Dingell	Hope	Moser	Springer
Dirksen	Horton	Mott	Steagall
Disney	Houston	Mouton	Stearns, N. H.
Ditter	Hull	Mundt	Stefan
Dondero	Hunter	Murdock, Ariz.	Sumner, Ill.
Doughton	Jacobsen	Murdock, Utah	Sutphin
Douglas	Jarman	Murray	Taber
Dowell	Jarrett	Nelson	Talle
Doxey	Jeffries	O'Brien	Tarver
Drewry	Jenkins, Ohio	O'Connor	Taylor, Tenn.
Duncan	Jenks, N. H.	O'Day	Tenerowicz
Durham	Jensen	O'Leary	Terry
Dworshak	Johnson, Ill.	Oliver	Thill
Eaton, Calif.	Johnson, Ind.	O'Neal	Thomas, Tex.
Eberharter	Johnson, Luther A.	O'Toole	Thomason
Edmiston	Johnson, Lyndon	Owen	Thorkelson
Elliott	Johnson, Okla.	Parsons	Tibbott
Ellis	Johnson, W. Va.	Patman	Tolan
Elston	Jones, Ohio	Patrick	Treadway
Engel	Kean	Patton	Van Zandt
Englebright	Kee	Pearson	Vinson, Ga.
Fay	Keefe	Peterson, Fla.	Voorhis, Calif.
Fenton	Kennedy, Michael	Peterson, Ga.	Vorys, Ohio
Ferguson	Keogh	Pfeiffer	Wadsworth
Fernandez	Kerr	Pierce, Oreg.	Wallgren
Fish	Kilday	Pittenger	Walter
Flaherty	Kinzer	Plumley	Ward
Flannagan	Kitchens	Poage	Warren
Flannery	Kleberg	Polk	Welch
Folger	Knutson	Powers	West
Ford, Leland M.	Kocialkowski	Rabaut	Wheat
Ford, Miss.	Kramer	Ramspeck	Whelchel
Ford, Thomas F.	Kunkel	Randolph	White, Idaho
Fries	Landis	Rankin	White, Ohio
Fulmer	Lanham	Rayburn	Wigglesworth
Gamble	Larabee	Reece, Tenn.	Williams, Del.
Garrett	Lea	Reed, Ill.	Williams, Mo.
Gartner	Leavy	Reed, N. Y.	Winter
Gathings	LeCompte	Rees, Kans.	Wolfenden, Pa.
Gavagan	Lemke	Rich	Wolverton, N. J.
Gearhart	Lesinski	Risk	Wood
Gehrman	Lewis, Colo.	Robertson	Woodruff, Mich.
Gerlach	Lewis, Ohio	Robinson, Utah	Youngdahl
Geyer, Calif.	Luce	Rogers, Pa.	Zimmerman
Gibbs	Ludlow	Rogers, Mass.	
Gilchrist	McAndrews	Rogers, Okla.	
	McArdle	Romjue	

NAYS—1

Tinkham

NOT VOTING—73

Arnold	Eaton, N. J.	Lambertson	Secrest
Austin	Evans	McGranery	Shannon
Ball	Faddis	McReynolds	Smith, Ill.
Bender	Fitzpatrick	Magnuson	Somers, N. Y.
Boehne	Gifford	Mansfield	Starnes, Ala.
Boykin	Green	Mitchell	Sullivan
Bradley, Mich.	Hart	Myers	Summers, Tex.
Bradley, Pa.	Harter, N. Y.	Nichols	Sweeney
Brewster	Hartley	Norrell	Taylor, Colo.
Buckley, N. Y.	Hendricks	Norton	Thomas, N. J.
Caldwell	Hennings	Osmer	Vincent, Ky.
Clark	Izac	Pace	Vreeland
Cluett	Johns	Pierce, N. Y.	Weaver
Courtney	Jones, Tex.	Richards	Whittington
Cox	Keller	Robison, Ky.	Wolcott
Curley	Kelly	Rockefeller	Woodrum, Va.
Dickstein	Kennedy, Martin	Sabath	
Dies	Kennedy, Md.	Schiff	
Dunn	Kirwan	Scrugham	

So the bill was passed.

The Clerk announced the following pairs:
General pairs:

Mr. Woodrum of Virginia with Mr. Eaton of New Jersey.
Mr. Sullivan with Mr. Wolcott.
Mr. Boehne with Mr. Osmer.
Mr. Whittington with Mr. Robison of Kentucky.
Mr. Norrell with Mr. Ball.
Mr. Smith of Illinois with Mr. Cluett.
Mr. Secrest with Mr. Bender.
Mr. Fitzpatrick with Mr. Bradley of Michigan.
Mr. Arnold with Mr. Harter of New York.
Mr. Pace with Mr. Austin.
Mr. Scrugham with Mr. Hartley.
Mr. Martin J. Kennedy with Mr. Gifford.
Mr. Courtney with Mr. Schiffer.
Mr. Magnuson with Mr. Johns.
Mr. Hennings with Mr. Pierce of New York.
Mr. Somers of New York with Mr. Lambertson.
Mr. Dickstein with Mr. Rockefeller.
Mr. Nichols with Mr. Thomas of New Jersey.
Mr. Kirwan with Mr. Vreeland.
Mr. Caldwell with Mr. Brewster.
Mr. Cox with Mr. Myers.
Mr. Jones of Texas with Mr. Evans.
Mr. Mansfield with Mr. Bradley of Pennsylvania.
Mr. Dies with Mr. Faddis.
Mr. Starnes of Alabama with Mr. Keller.
Mr. Weaver with Mr. Hart.
Mrs. Norton with Mr. Sabath.
Mr. McReynolds with Mr. Buckley of New York.
Mr. Taylor of Colorado with Mr. Dunn.
Mr. Green with Mr. Sweeney.
Mr. Summers of Texas with Mr. Kelly.
Mr. Hendricks with Mr. Shannon.
Mr. Richards with Mr. Kennedy of Maryland.
Mr. Boykin with Mr. Vincent of Kentucky.
Mr. Clark with Mr. Izac.
Mr. McGranery with Mr. Mitchell.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. COCHRAN. Mr. Speaker, I made some remarks on the revenue bill today and referred to an article in the St. Louis Post Dispatch. I ask unanimous consent to revise and extend my own remarks in the RECORD and to include that article in my remarks.

The SPEAKER pro tempore (Mr. RAYBURN). Is there objection to the request of the gentleman from Missouri [Mr. COCHRAN]?

There was no objection.

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their own remarks in the RECORD on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

There was no objection.

ANNOUNCEMENT OF VOTE

Mr. DOUGHTON. Mr. Speaker, my colleague the gentleman from North Carolina, Mr. WEAVER, is unavoidably absent. Had he been present, he would have voted "yea."

Mr. COOPER. Mr. Speaker, I desire to announce that the gentleman from Indiana, Mr. BOEHNE, was unavoidably absent on account of the serious illness of his father. If present, he would have voted "nay" on the motion to recommit and "yea" on the passage of the bill.

The gentleman from Mississippi, Mr. WHITTINGTON, was unavoidably absent attending the graduation of his son at Princeton University. He asked me to announce that if present he would have voted "nay" on the motion to recommit and "yea" on the passage of the bill.

OUR PRESENT ECONOMIC TROUBLE AND FUTURE OUTLOOK

Mr. WEST. Mr. Speaker, I ask unanimous consent to extend my own remarks at this point in the RECORD and to include a short statement by the Honorable Robert J. Kleberg, Jr., of Kingville, Tex.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas [Mr. WEST]?

There was no objection.

Mr. WEST. Mr. Speaker, in these days of unrest and unemployment, when so many are advocating Government subsidy for each and every one who will not or cannot earn a living, it might be well for thoughtful Americans earnestly

desiring a continuance of our present form of government to contemplate the future. Many, many persons are advocating the theory that the thrifty support the indolent; that others be paid more than they earn, and that everyone have everything he wants. This appeals to some of the unthinking. It is a beautiful theory, but not practical. So long as God in His infinite wisdom endows some with more ability, energy, and thrift than He does others, so long we will have with us those whose earning power is below others, others whose ability to earn is limited. Such conditions are the laws of Nature. The Members of Congress should realize that, try as we may, they cannot repeal the laws of Nature nor the law of supply and demand; that the Government does not owe the average citizen a living, but merely is obligated to provide an equal opportunity to all.

Let us resolve that as long as we are charged with the obligation of running the affairs of government we will do so, not to perpetuate ourselves in office but, rather, consecrate ourselves to the task of perpetuating our present form of free government, so when our course is run we will pass on to our successors the same form of government which was handed to us. Our political success or failure is of no consequence, but the preservation of our free institutions is vital.

In this connection I ask you to carefully read and thoughtfully consider the statement of Hon. Robert J. Kleberg, Jr., manager of the King ranch in Texas. He is a student of economic conditions and the causes thereof. He is recognized as one of Texas' most outstanding and successful citizens. He is experienced in business, and his ideas as expressed are based on experience and not on theory and inexperience. His statement follows:

Our entire modern economic progress is founded on the principle of distributing wealth through continued price reduction and paying higher salaries and wages to management and labor, whenever through efficiency and education or the aid of science they can produce and distribute goods cheaper.

Our economic progress has been retarded by the growth of fixed charges; principally unsound taxation, local, State, and national, and the activities of radical labor and other groups closely akin to racketeering, resulting in the hardening of our great arteries of commerce and interfering with the proper distribution of our wealth.

The value of the total national production of goods and services in 1929, if divided equally among the entire population, would have given to each person approximately \$665. Hence it is clear that the consumptive requirements, and especially the wants of the masses of the people, are far from being satisfied. To meet this consumer's demand our entire economic and social system is and should be designed to give the consumer the utmost for his money or expended energy. It is sound and fair that the consumer should be taxed in proportion to what he consumes to defray the cost of all government (local, State, and national) and for any other necessary social purpose. This would be flexible taxation and not fixed or destructive to our economic progress.

In 1929 the national production of goods and services required the utilization of practically all of the labor in the country on a 50-hour-per-week basis to produce approximately \$80,000,000,000 worth of goods. It is clear from this that labor will have to be approximately as industrious at this time to supply the consumption demands of the country.

The United States is the richest country in the world. Its natural resources and capital are immense. Far greater than these, however, is its newly found ability to produce unlimited amounts of goods. It can produce almost as much new wealth in a 3-year period as its total capitalization. Ninety-five percent of its market is domestic, only 5 percent is export. Until the 1929 crash and subsequent depression, it had little trouble in finding a ready (95 percent domestic) market for all it produced. During the 10-year period (1919-29) before the depression it undertook the commendable task of providing adequate educational and highway systems for its 120,000,000 citizens. A glaring example of unsound taxation and finance followed. Approximately \$50,000,000,000 worth of bonds were issued against agricultural and other real estate, and the proceeds used to carry out these projects. During the time that these bonds were being sold and the improvements made, business generally was stimulated. A high wage scale and level of employment prevailed throughout the country, followed by a tremendous stock-market speculation, which even spread to other countries.

In spite of all this apparent prosperity and attendant high wage scale and high standard of living, agriculture steadily declined as its unfair debt load mounted. It had to pay the interest and sinking funds on these great public improvements.

Since a large part of our population is dependent on agriculture, it is impossible for a country almost wholly dependent on a domestic market to prosper long with so large a part of its consuming market crippled by an unfair tax burden.

The Hoover and Roosevelt administrations have ignored or failed to consider the above facts, and the present administration has repeated our local and State folly on a national scale by still further bonding the country and spending the proceeds to stimulate and create false prosperity. Under these unfair policies, labor practices and other forms of racketeering have sprung up, again increasing fixed charges which prevent the distribution of goods and services at the lowest prices and in the greatest quantities, to the deserving and industrious citizen.

Continually greater consumer demand for goods and services can only be created and stimulated as our scientific, inventive, and administrative genius makes it possible to pay someone more money to produce an article or render a service cheaper, thereby increasing the buying power of the Nation. Education should play a large part in this process, our highway systems should be designed to help, and it should be the duty of our Government to protect property, prevent monopoly, labor or other forms of racketeering, and stimulate foreign commerce. Only in this way can Government, education, and good roads help distribute wealth. They are part of the consumer's costs and should be paid for by the consumer through a consumer's tax. Or, in other words, the citizen would be paying his Government, his highway system, and his educational system for service rendered in helping reduce costs. The measure of value of these agencies should be the amount they contribute toward increasing production and lowering costs. The citizen can thereby determine their value and should be willing to pay a proper percentage on the value of goods he consumes.

Radical labor movements, forms of racketeering, or any other monopolistic tendencies which prevent the citizen from obtaining larger quantities of better goods for his money or his efforts, or which prevent just reward for better educational attainments or inventive genius, should not be permitted or tolerated in a free country.

Once our American system is free of fixed charges, the laws of supply and demand will function normally, with uncertainty eliminated confidence would return, and our prosperity and standard of living will be measured as it justly should, by our individual initiative, energy, and moral qualities.

TRAINING OF CIVIL AIRCRAFT PILOTS

Mr. LEA. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 5619) to provide for the training of civil aircraft pilots, and for other purposes and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Strike out all after the enacting clause and insert:

"That this act may be cited as the 'Civilian Pilot Training Act of 1939.'"

"SEC. 2. The Civil Aeronautics Authority is authorized, within the limits of available appropriations made by the Congress, to train civilian pilots or to conduct programs for such training, including studies and researches as to the most desirable qualifications for aircraft pilots. Such training or program shall be conducted pursuant to such regulations as such Authority may from time to time prescribe, including regulations requiring students participating therein to maintain appropriate insurance and to pay such laboratory or other fees for ground-school training, not exceeding \$40 per student, as the Authority may deem necessary or desirable: *Provided*, That in the administration of this act none of the benefits of training or programs shall be denied on account of race, creed, or color. Such training or programs may be carried out either through the use of the facilities and personnel of the Authority or by contracts with educational institutions or other persons (as defined in sec. 1 (27) of the Civil Aeronautics Act of 1938).

"SEC. 3. At least 5 percent of the students selected for training under this Authority shall be selected from applicants other than college students.

"SEC. 4. The Authority is authorized to lease or accept loans of such real property, and to purchase, lease, exchange, or accept loans of such personal property, as may be necessary or desirable for carrying out the provisions of this act.

"SEC. 5. For the purpose of carrying out its functions under this act, the Authority is authorized to exercise all powers conferred upon it by the Civil Aeronautics Act of 1938 and to appoint and fix the compensation of experienced instructors, airmen, medical, and other professional examiners and experts in training or research without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States. The provisions of section 3709 of the Revised Statutes shall not apply to contracts with educational institutions and other persons for the use of aircraft or other facilities or for the performance of services authorized by section 2 of this act.

"SEC. 6. Any executive department or independent establishment is hereby authorized to cooperate with the Authority in carrying out the purposes of this act, and for such purposes may lend or transfer to the Authority, by contract or otherwise, or if so requested by the Authority, lend to educational institutions or other persons cooperating with the Authority in the conduct of any such training or program, civilian officials, experts, or employees, aircraft and other property or equipment and lands or buildings under its control and in excess of its own requirements.

"Sec. 7. There is hereby authorized to be appropriated the sum of \$5,675,000 for the purpose of carrying out the provisions of this act during the fiscal years 1939 and 1940, and not to exceed the sum of \$7,000,000 during each subsequent fiscal year. This act shall expire on July 1, 1944, and all contracts, leases, or other obligations entered into under this act shall expire on or prior to such date: *Provided*, That no alien shall receive training under the provisions of this act."

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California [Mr. LEA]?

Mr. COCHRAN. Mr. Speaker, reserving the right to object, may I ask the gentleman from California if the Senate amendment which he is accepting provides a limitation on the authorization for future years? If he will recall, when this bill was under consideration in the House, at the last moment I discovered it was wide open and that there was no limitation. The Senate, as I recall, placed in the bill a limitation for future years. Is that included?

Mr. LEA. The Senate amendment to be concurred in limits the expenditure to \$7,000,000 per year after the fiscal year 1940.

Mr. COCHRAN. I am very glad that the gentleman accepts the Senate amendment.

Mr. MAPES. Mr. Speaker, reserving the right to object, it has been suggested that the gentleman state briefly just how the Senate amendments differ from the House bill.

Mr. LEA. Mr. Speaker, there are two amendments agreed to by the Senate in addition to the House bill. One provides for the limitation of expenditures in future years to \$7,000,000 a year, as I have just mentioned, and the other is in reference to the employees of the Commission.

The House provided for temporary employees, which would be an exception to the civil service. The Senate amendment strikes out that provision and authorizes the employment outside of the civil service of experienced instructors, airmen, medical and other professional examiners, and experts in training or research.

Mr. MAPES. Mr. Speaker, the minority members of the Committee on Interstate and Foreign Commerce approve the action of the chairman of the Committee on Interstate and Foreign Commerce in asking unanimous consent that the Senate amendments be concurred in. We feel the Senate has improved upon the House bill and we have no objection.

Mr. SCHAFER of Wisconsin. Reserving the right to object, Mr. Speaker, the gentleman said there is no objection from the minority?

Mr. MAPES. The minority members of the Committee on Interstate and Foreign Commerce.

Mr. SCHAFER of Wisconsin. Yes. What I want to find out now is this: Is it impossible to fill these appointments under the civil service merit system?

Mr. MAPES. It is possible to fill these positions in that way except for certain experts and a few other exceptions.

Mr. SCHAFER of Wisconsin. Are we to understand that excepted positions as embodied in the Senate amendment cannot be filled under the civil service merit system?

Mr. LEA. There is an exemption in this bill from the civil service of the experts mentioned, but it is a limitation on the provision as passed by the House, which was broader in exempting from the civil service.

Mr. SCHAFER of Wisconsin. The Government selects a great many different kinds of experts under the civil service merit system. I do not see why there should be an exception in this case unless the Civil Service Commission is incompetent. Therefore I object.

Mr. MAPES. Will the gentleman withhold his objection for just a moment?

Mr. SCHAFER of Wisconsin. Yes, Mr. Speaker, I withhold the objection.

Mr. MAPES. As the chairman of the committee has stated, the Senate amendment places more positions under the civil service than did the House bill and thus goes a step further in the direction of civil service. Some of us agree with the gentleman's position, but I may say that the Senate bill is an improvement over the House bill in that respect.

Mr. SCHAFER of Wisconsin. I do not believe that we should pass bills creating positions exempt from the civil service merit system. Congress has been flooded with a great deal of propaganda asking us to support the Ramspeck bill which covers into lifetime civil-service positions many thousands of New Deal employees who have received their appointments under a political-spoils system. However, in view of the fact that the Senate bill leans a little more toward the selective civil service merit system, and in view of the fact that we will not be able to put a real merit system into effect until after the 1940 election, I withdraw my objection.

Mr. MAPES. May I say further that, along with the gentleman from Wisconsin, I have fought very consistently for the extension of the civil-service system to cover the appointment of all these officers. We have done the best we could to that end in connection with this bill, and I repeat that the Senate provision is an improvement over the House provision in that respect.

Mr. HOFFMAN. Reserving the right to object, Mr. Speaker, may I ask the gentleman from Michigan if any of the million employees whom Murphy is going to discharge are under the civil service?

Mr. MAPES. We have not discovered any million employees being discharged as yet.

Mr. HOFFMAN. Does the gentleman mean that is just talk?

Mr. MAPES. As far as I know.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

ANNOUNCEMENT

Mr. TERRY. Mr. Speaker, my colleague the gentleman from Arkansas, Mr. NORRELL, is absent today on account of important business. If he were present, he would have voted "nay" on the motion to recommit the revenue bill, and would have voted "yea" on the final passage of the bill.

EXTENSION OF REMARKS

Mr. WALTER. Mr. Speaker, I ask unanimous consent to insert in the CONGRESSIONAL RECORD the peace program of the businessmen's committee of the American Union for Concerted Peace Efforts.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. PETERSON of Florida. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made today and include therein certain tabulations.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. BARNES. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an article by Mrs. Sara John English, of Jacksonville.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. SMITH of Connecticut. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts [Mr. CASEY] may have permission to extend his own remarks in the RECORD and include therein a letter received by him on the question of relief.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. D'ALESSANDRO. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an article from the Evening Sun on the National Youth Administration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maryland?

There was no objection.

Mr. HAVENNER. Mr. Speaker, I ask unanimous consent to have inserted in the Appendix of the RECORD an address delivered by the Postmaster General in San Francisco.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

ANNOUNCEMENT

Mr. SCHAFER of Wisconsin. Mr. Speaker, my colleague from Wisconsin, Mr. JOHNS, was unavoidably absent this afternoon on account of illness in his family. If he were present, he would have voted "yea" on both the roll calls this afternoon.

VOTE ON THE REVENUE BILL

Mr. SECCOMBE. Mr. Speaker, my colleague the gentleman from Ohio, Mr. BENDER, is unavoidably absent. Had he been present, he would have voted "yea" on the motion to recommit the revenue bill, and also "yea" on the passage of the bill.

EXTENSION OF REMARKS

Mr. SECCOMBE. Mr. Speaker, I also ask unanimous consent that the gentleman from Ohio [Mr. BENDER] may be permitted to extend his own remarks in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio [Mr. SECCOMBE]?

There was no objection.

Mr. THORKELSEN and Mr. HOFFMAN asked and were given permission to revise and extend their own remarks in the RECORD.

Mr. OLIVER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a copy of a broadcast made by me last Saturday evening.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maine?

There was no objection.

Mr. FRIES. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an editorial which appeared in the Illinois State Register, one of the greatest newspapers in the Middle West, with respect to the W. P. A. and its program; and also an ad which was bought and paid for by 33 of the outstanding citizens and businessmen of Springfield, Ill., commending the W. P. A. employees and the W. P. A. administrators for their efficient manner of putting over W. P. A. projects in that particular area.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois [Mr. FRIES]?

There was no objection.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mr. CHURCH] is recognized for 40 minutes.

Mr. CHURCH. Mr. Speaker, at this late hour, in order to complete my statement in perhaps 20 minutes instead of the 40, I ask unanimous consent to extend my own remarks in the RECORD and to include at the places I shall indicate in my address a copy of a letter by the Acting Comptroller General of the United States to the President of the Federal Home Loan Bank Board, together with certain photostatic copies of investigation records furnished me by the General Accounting Office, a copy of two reply letters by the Vice Chairman of the Board, and a letter addressed to me by the Comptroller General of the United States.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois [Mr. CHURCH]?

There was no objection.

Mr. CHURCH. Mr. Speaker, it will be recalled that last year I had occasion to bring to the attention of the House the illegal use of the franking privilege by Horace Russell, the then General Counsel of the Home Owners' Loan Corporation. It will also be recalled that a few hours after that public exposure on this floor he resigned his position.

Since that time I have taken it upon myself to conduct a little private inquiry into the activities of the Home Owners' Loan Corporation. Every Member here has constituents who are borrowers from this corporation and has constituents

who hold its bonds for which all taxpayers are indirectly liable. To them we individually and collectively have the duty to protect their interests.

The Home Owners' Loan Corporation, established by the act of June 13, 1933, is directed and operated by the Federal Home Loan Bank Board, set up by the act of July 22, 1932. This same Board also directs and operates the Federal Savings & Loan Insurance Corporation, established by the act of June 27, 1934, as well as controls the 12 Federal Home Loan banks. I might also state, with a view to indicating the financial interrelationship of the two corporations, that under the law the Home Owners' Loan Corporation holds all the \$100,000,000 of capital stock of the Federal Savings & Loan Insurance Corporation, purchased by H. O. L. C. bonds. Suffice it to say that the Federal Home Loan Bank Board is one of the most powerful agencies of this Government, conducting financial operations involving billions of dollars. The Home Owners' Loan Corporation itself is authorized to issue bonds in the amount of \$4,750,000,000.

My investigation naturally led to an examination of the work of all these interrelated functions of the corporations under the Federal Home Loan Bank Board. Of necessity, the study I have been able to make has been anything but exhaustive. It could not be otherwise, for no individual Member of Congress has the power, the time, nor the resources to make a thorough investigation. Nonetheless, Mr. Speaker, as incomplete as my individual investigation has been, it has brought to light some very startling facts, which I feel obliged to call to the attention of this House.

It is our evident duty to authorize and direct some committee of this House to make a complete audit of all accounts of the H. O. L. C., the Federal Savings and Loan Insurance Corporation, and the Federal Home Loan Bank Board, as well as to investigate the illegal activities and expenditures of certain officials. Mr. Speaker, I have discovered a state of affairs in connection with the H. O. L. C. and the Federal Savings and Loan Insurance Corporation that we must not allow to continue and which warrants the prompt dismissal of a number of officials.

First, I publicly charge Mr. Nugent Fallon, now General Manager of the Federal Savings and Loan Insurance Corporation, with using Government funds to travel to and from his home for his own personal pleasure and personal business. I demand his immediate resignation. His conduct in this regard has been a deliberate fraud, and such a man is not entitled to hold the responsible position that he now holds, where he handles millions of dollars of money belonging to the people you and I represent.

Mr. Nugent Fallon has a home at 74 Greenway Terrace, Forest Hills, N. Y., and he has a summer home at 135 Beach Bluff Avenue, Swampscott, Mass., a suburb of Boston. With these facts in mind, I now wish to read to the House some of the travel performed by Mr. Fallon which he charged to the Federal Savings and Loan Insurance Corporation.

COST

To New York, Dec. 11 to Dec. 15, 1935 (week end).....	\$54.64
To New York, Dec. 22 to Dec. 25, 1935 (holidays).....	29.06
To New York, Jan. 15 to Jan. 16, 1936.....	31.89
To New York, Jan. 31 to Feb. 2, 1936 (week end).....	32.76
To New York, Feb. 9 to Feb. 10, 1936 (week end).....	31.29
To Boston, Feb. 29 to Mar. 3, 1936 (week end).....	55.11
To New York, Mar. 7 to Mar. 10, 1936 (week end).....	34.43
To New York, Apr. 3 to Apr. 6, 1936 (week end).....	38.83
To New York, Apr. 24 to Apr. 26, 1936 (week end).....	44.21
To New York, Boston, May 3 to May 18, 1936.....	78.39
To New York, May 26 to May 31, 1936 (week end).....	85.85
To Boston, June 17 to June 29, 1936.....	121.80
To New York, Boston, July 17 to July 20, 1936 (week end).....	57.30
To New York, July 30 to Aug. 12, 1936.....	54.25
To New York, Boston, Aug. 21 to Aug. 25, 1936 (week end).....	65.45
To Boston, Sept. 4 to Sept. 14, 1936.....	103.10
To New York, Boston, Sept. 22 to Sept. 27, 1936 (week end).....	78.65
To New York, Oct. 10 to Oct. 17, 1936 (week end).....	74.05
To New York, Nov. 11 to Nov. 13, 1936.....	32.85
To Boston, Nov. 27 to Nov. 29, 1936 (week end).....	49.55
To Boston, Dec. 13 to Dec. 15, 1936 (week end).....	50.00
To New York, Dec. 17 to Dec. 18, 1936.....	24.95
To New York, Apr. 9 to Apr. 10, 1937.....	24.95
To Boston, Apr. 20 to Apr. 28, 1937 (week end).....	113.30

COST—continued

To New York, May 27 to May 29, 1937.....	\$43.45
To New York, June 12 to June 13, 1937 (week end).....	32.55
To New York, Boston, June 15 to June 23, 1937.....	126.05
To Boston, July 1 to July 6, 1937 (holidays).....	35.30
To New York, July 9 to July 13, 1937 (week end).....	26.05
To New York, July 31 to Aug. 3, 1937 (week end).....	25.85
To Boston, Aug. 6 to Aug. 23, 1937.....	176.80
To Boston, Aug. 31 to Sept. 8, 1937 (week end, holiday).....	96.00
To New York, Sept. 28 to Sept. 29, 1937.....	27.90
To Boston, Oct. 25 to Oct. 28, 1937.....	69.70
To Boston, Dec. 6 to Dec. 12, 1937 (week end).....	152.00
To New York, Boston, Jan. 25 to Jan. 28, 1938.....	47.95
To Boston, Feb. 7 to Feb. 11, 1938.....	57.25
To Boston, Feb. 22 to Feb. 24, 1938 (holiday).....	46.45
To Virginia, North Carolina, South Carolina, Feb. 27 to Mar. 8, 1938 (2 week ends).....	102.30
To New York, Apr. 7 to Apr. 12, 1938 (week end).....	42.60
To Norfolk, Va., Apr. 15 to Apr. 18, 1938 (week end).....	21.75
To New York, Boston, May 3 to May 5, 1938.....	45.30
To New York, Aug. 11 to Aug. 15, 1938 (week end).....	26.80
To New York, Aug. 31 to Sept. 6, 1938 (holiday).....	74.75

The House has no doubt noted how frequently these trips to Boston and New York, where Mr. Fallon has his respective homes, occur on week ends and holidays. How convenient it is to have all Government business to transact on week ends and holidays and in the immediate vicinity of one's home.

In substantiation of my charge, Mr. Speaker, I have asked unanimous consent to have inserted in the RECORD at this point, a copy of a letter addressed by the Acting Comptroller General of the United States to the president of the Federal Home Loan Bank Board under date of November 1, 1938, together with certain photostatic copies of investigation records furnished me by the General Accounting Office.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, November 1, 1938.

PRESIDENT, FEDERAL HOME LOAN BANK BOARD.

SIR: Examination by representatives of this office of the accounts and records of John Byrns, Treasurer, Federal Savings & Loan Insurance Corporation, brings out matters to which it is thought advisable to invite your attention and which are reported substantially as follows:

In the examination of the vouchers retained by Mr. Byrns it was noted therefrom that most of the travel performed by Mr. H. E. Hoagland, member of the board of trustees of the Federal Savings & Loan Insurance Corporation was to Columbus, Ohio, and vicinity, while Mr. Nugent Fallon, General Manager of the said Corporation, made numerous trips to New York, Boston, and vicinity.

(a) Mr. Hoagland's travel expenses, which were paid by the Federal Savings & Loan Insurance Corporation, were as follows:

Voucher No.	Period	Amount
77.....	Aug. 16 to Aug. 21, 1934.....	\$71.97
155.....	May 3 to May 6, 1935.....	47.98
161.....	May 7 to May 14, 1935.....	112.98
201.....	July 4 to July 7, 1935.....	53.98
257.....	Oct. 9 to Oct. 13, 1935.....	75.31
524.....	June 18 to June 22, 1936.....	68.10
544.....	July 17 to July 20, 1936.....	64.00
775.....	Apr. 2 to Apr. 6, 1937.....	81.85

It is understood that the authority for Mr. Hoagland to incur such travel expense was granted by the board of directors of the Federal Home Loan Bank Board, May 31, 1935, in resolution, in part, as follows:

*Be it resolved, That members of the board of trustees for Federal Savings & Loan Insurance Corporation * * * be authorized to travel in their discretion on the official business of the Federal Savings & Loan Insurance Corporation and to select such mode of travel and such accommodations in travel and such route or routes of travel as the traveler in each case may determine to be most appropriate * * ** [Italic supplied.]

In view of the fact that Mr. Hoagland apparently arranged a number of his trips so as to be at Columbus, Ohio, his former home, at weekends, frequently using Government transportation requests in connection with such trips, question is raised whether there was a commingling of private and public business. In this connection attention is called to Comptroller General's decision of December 6, 1921 (1 Comp. Gen. 299), wherein it is held that when there is a mingling of private matters with Government business by a Government officer or employee in a travel status the expenses incurred thereby cannot be charged against the Government. Also see paragraph 20 of Standardized Government Travel Regulations approved by the President January 30, 1934,

and December 10, 1935, prohibiting the use of Government transportation requests for personal travel.

(b) The travel performed by Mr. Nugent Fallon, the cost of which was paid by the Federal Savings & Loan Insurance Corporation, is as follows:

Period	Voucher No.	Amount
Dec. 11 to Dec. 15, 1935.....	324	\$54.64
Dec. 22 to Dec. 25, 1935.....	340	29.06
Jan. 15 to Jan. 16, 1936.....	359	31.89
Jan. 31 to Feb. 2, 1936.....	383	32.76
Feb. 9 to Feb. 10, 1936.....	389	31.29
Feb. 29 to Mar. 3, 1936.....	417	55.11
Mar. 7 to Mar. 10, 1936.....	423	34.43
Apr. 3 to Apr. 6, 1936.....	447	38.83
Apr. 24 to Apr. 26, 1936.....	467	44.21
May 3 to May 18, 1936.....	484	78.39
May 26 to May 31, 1936.....	499	85.85
June 17 to June 29, 1936.....	525	111.80
July 17 to July 20, 1936.....	542	57.30
July 30 to Aug. 12, 1936.....	564	84.25
Aug. 21 to Aug. 25, 1936.....	574	65.45
Sept. 4 to Sept. 14, 1936.....	595	103.10
Sept. 22 to Sept. 27, 1936.....	614	78.65
Oct. 10 to Oct. 17, 1936.....	628	74.05
Nov. 11 to Nov. 13, 1936.....	653	32.85
Nov. 27 to Nov. 29, 1936.....	668	49.55
Dec. 13 to Dec. 15, 1936.....	679	50.00
Dec. 17 to Dec. 18, 1936.....	687	24.95
Apr. 9 to Apr. 10, 1937.....	782	24.95
Apr. 20 to Apr. 28, 1937.....	808	113.30
May 27 to May 29, 1937.....	844	43.45
June 12 to June 13, 1937.....	858	32.55
June 15 to June 23, 1937.....	868	126.05
July 1 to July 6, 1937.....	886	35.30
July 9 to July 13, 1937.....	898	26.05
July 31 to Aug. 3, 1937.....	916	25.85
Aug. 6 to Aug. 23, 1937.....	942	176.80
Aug. 31 to Sept. 8, 1937.....	968	96.00
Sept. 28 to Sept. 29, 1937.....	1001	27.90
Oct. 25 to Oct. 28, 1937.....	1049	69.70
Dec. 6 to Dec. 12, 1937.....	1110	152.00
Jan. 25 to Jan. 28, 1938.....	1177	47.95
Feb. 7 to Feb. 11, 1938.....	1200	57.25
Feb. 22 to Feb. 24, 1938.....	1224	46.45
Feb. 27 to Mar. 8, 1938.....	1247	102.30
Apr. 7 to Apr. 12, 1938.....	1296	42.60
Apr. 15 to Apr. 18, 1938.....	1297	21.75
May 3 to May 5, 1938.....	1332	45.30
Aug. 11 to Aug. 15, 1938.....	1466	26.80
Aug. 31 to Sept. 6, 1938.....	1486	74.75

The majority of the vouchers above listed cover travel between Washington, D. C., New York City, Boston, Mass., and vicinity, any many of them are for periods including holidays and week-ends.

The authority for Mr. Fallon to incur travel expense is likewise understood to have been granted by the board of directors of the Federal Home Loan Bank Board, May 31, 1935, in resolution, in part, as follows:

"Be it resolved, That members of the board of trustees for Federal Savings & Loan Insurance Corporation the general manager, or the acting general manager, and the general counsel of the Federal Savings & Loan Insurance Corporation be authorized to travel in their discretion on the official business of the Federal Savings & Loan Insurance Corporation and to select such mode of travel and such accommodations in travel and such route or routes of travel as the traveler in each case may determine to be most appropriate, and such expenses as may be incurred in such travel on such basis are authorized and approved and a per diem in lieu of subsistence for members of the board of trustees, the general manager, or the acting general manager, and the general counsel is authorized and approved in the sum of \$7 per diem and such expenditures as are authorized by this resolution are in the discretion of the board proper, and when incurred as herein provided, will have been properly incurred and shall be paid." [Italics supplied.]

While many of the trips were presumably on official business of the Government, in view of the fact that many of them were apparently arranged so as to permit of Mr. Fallon's being at his homes near New York, and at Swampscott near Boston, Mass., question is raised whether there was a commingling of private and public business. See in this connection 1 Comptroller General 299 and Standardized Government Travel Regulations hereinabove referred to, with reference to Mr. Hoagland's travel.

(c) Concerning the travel performed by Mr. Fallon at the expense of the Federal Savings & Loan Insurance Corporation, it was noted that although certain of his vouchers show that he was at one place, he either sent telegrams or received them at a different place, as hereinafter set forth:

Voucher No. 525 shows traveler on duty in Boston, Mass., June 24, 1936; however, a telegram was sent from Marblehead, Mass., signed by the traveler, as follows:

MARBLEHEAD, MASS., June 24, 1936.

MISS HARRIET ROACH,
7522 New Post Office Building,
Washington, D. C.:

Please put my name on Woodall increase with notation. Have Broderick put some time on our report to Congress. Tell him his

manuscript should be written so his readers will understand and enjoy reading it. Champlain meeting, more golf than work; Boston meeting very interesting and profitable.

NUGENT FALLON.

Voucher No. 564 shows traveler on duty in New York until 5 p. m., August 3, 1936, and annual leave from 5 p. m., August 3, 1936, to 8 a. m., August 11, 1936; the leave records, however, show Mr. Fallon on leave from August 4, 1936, to August 8, 1936, inclusive, leaving 1 day, August 10, 1936, not reported on leave records. It will be noted that the voucher shows duty in New York until 5 p. m., August 3, 1936; however, a telegram was sent by Mr. Fallon on August 3, 1936, from Marblehead, Mass., reading as follows:

BA 318-38 Gov't Collect XC Marblehead, Mass. 3-12-22P
Miss HARRIET ROACH,

Room 7522, New Post Office Building,
Washington, D. C.:

Advise Armstrong I wish to discuss Wheeling affair with him. I question if it belongs in report of year ending June 30, through delay in settlement with Treasury. Mail blank paper and large envelopes.

NUGENT FALLON.

Voucher No. 886 shows traveler on duty in Boston on July 3, 1937; however, a telegram was sent to Mr. R. K. Bruhn, field representative, reading as follows:

WASHINGTON, D. C., July 2, 1937.

Mr. R. K. BRUHN,
% Federal Home Loan Bank of Boston,
111 Devonshire Street, Boston, Mass.:
Please telephone Mr. Fallon early Saturday morning, July 3, at Breakers 5319, Beachbluff, Mass., his request.

SECRETARY TO MR. FALLON.

Voucher No. 968 shows traveler on duty in Boston, Mass., on September 4, 1937, however, Mr. Fallon sent a telegram on that date from Marblehead, Mass., reading as follows:

BA 77 22 Gov't Collect MG Marblehead, Mass., 4-902A.
Miss Harriet Roach, Federal Savings & Loan Insurance Corporation, First Street and Indiana Avenue, Washington, D. C.
Not sending Vermont letter. Nothing must go wrong with book. Advise PFEIFER to personally inspect and ship in New York.

N. FALLON.

Voucher No. 1247 shows traveler arriving in Raleigh, N. C., at 2:30 p. m., February 28, 1938, however, a telegram was sent to Mr. Fallon at Highland Pines Inn., Southern Pines, N. C., on that date by Miss Roach, his secretary, reading as follows:

"No word from Boston today got in touch with Fitzgerald. Mr. Kreutz hopes you can discuss field work and kid with Larogue. Personnel has approved Wilkes appointment; hope to get board action soon."

The following telegram was sent by Nugent Fallon from Southern Pines, N. C., on February 28, 1938:

SOUTHERN PINES, N. C., February 28, 1938—10:20 a. m.

OSCAR R. KREUTZ,
Deputy General Manager,

Federal Home Loan Bank Building, Washington, D. C.:

Cleared appointment Tilton Assistant General Manager eight thousand with him and Jones. Please have personnel papers set up with strong justification including possible savings bank work. Please sign and advance them if possible. Leave date entry on duty open.

NUGENT FALLON.

(d) With further reference to travel expenses incurred by Mr. Fallon, the following telegram was sent by Mr. Oscar R. Kreutz of the Federal Savings & Loan Insurance Corporation:

WASHINGTON, D. C., July 11, 1936.

Mr. AXEL HAWKINSON,
Secretary, Swedish-American Savings and Loan Association,
919 Walnut Street, Kansas City, Mo.:
Please arrange guest privileges Kansas City Club, Nugent Fallon and B. H. Wooten arriving Monday.

OSCAR R. KREUTZ,
Chairman, Review Committee.

It is inferred that the above telegram was sent in connection with Mr. Fallon's attendance at a meeting of representatives of various savings and loan associations. However, in view of the doubt as to the nature of the meeting, there is a question as to whether the provisions of the act of June 26, 1912, 37 Stat. 184, as amended (U. S. C. 5: 83), are for application in the instant case. Also see in this connection the following decisions pertaining to incurring obligations at the expense of the Government in attending conventions and meetings:

Nov. 1, 1924—4 Comp. Gen. 421.
Jan. 27, 1925—4 Comp. Gen. 630.
Feb. 9, 1926—5 Comp. Gen. 599.
March 20, 1926—5 Comp. Gen. 746.
April 17, 1926—5 Comp. Gen. 834.

It is requested that the Board give consideration to the questions whether all of the travel expense incurred by Messrs. Hoagland and Fallon pertained to the official business of the Federal Savings & Loan Insurance Corporation; whether Mr. Fallon was in fact in a travel status at Government expense while at places different from those shown in his expense vouchers; and

whether in view of the statutory prohibition against incurring obligations at the expense of the Government for attending meetings and conventions, the expense so incurred was properly payable from the funds of the Federal Savings & Loan Insurance Corporation.

Respectfully,

R. N. ELLIOTT,
Acting Comptroller General of the United States.

GENERAL ACCOUNTING OFFICE
WASHINGTON

BOSTON, MASS., September 27, 1938.

For attention of investigations.

Chief of Investigations.

Re investigation concerning Mr. Nugent Fallon,
135 Beach Bluff Avenue, Swampscott, Mass.

Pursuant to your letter dated September 24, 1938, we contacted Mr. R. F. Butler, superintendent of the post-office branch at Swampscott, Mass., for the purpose of ascertaining the names of the occupants of the dwelling located at 135 Beach Bluff Avenue. There is no postmaster at this post-office branch and Mr. Butler is in charge. Mr. Butler advised us that Mr. Nugent Fallon lived at that address and that it was his summer home and that mail addressed to him (Mr. Nugent Fallon) had been delivered recently at that address. Mr. Butler further stated the post-office authorities had no forwarding address for Mr. Nugent Fallon, that mail was delivered to the residence and forwarded from there. Mr. Butler appeared to be reticent in giving us this information and implied that Mr. Fallon was no longer in Swampscott.

In view of Mr. Butler's attitude we called at 135 Beach Bluff Avenue and without making our identity known asked if Mr. Fallon was in. We were advised by Mrs. Carson, housekeeper at this address, that Mr. Fallon had left Sunday for Washington, and she further stated that Mr. Fallon was the owner of the property (located at 135 Beach Bluff Avenue) which he used as his summer home.

With reference to the records at the Parker House for the period June 19-21, 1937, Mr. Creighton, resident manager, was contacted. Mr. Creighton called his bookkeeper over the telephone and requested him to ascertain whether or not they had a registration card for Mr. Nugent Fallon for the period in question. The bookkeeper advised Mr. Creighton that he was unable to find any record of registration for Mr. Fallon for the whole year of 1937. Acting upon this advice, Mr. Creighton personally went down and rechecked the records and corroborated the statement made by the bookkeeper and also furnished us with a statement to that effect, which is attached herewith as exhibit No. 1.

Respectfully submitted.

ALEXANDER R. SHEPHERD, Jr.,
CARL P. JETTON,
Investigators.

GENERAL ACCOUNTING OFFICE
WASHINGTON

Office of the Comptroller General of the United States.

In reply quote initials.

SEPTEMBER 24, 1938.

Mr. RALPH HALE,
Care U. S. Treasury Department,
76 Ninth Avenue, New York, N. Y.

DEAR MR. HALE: For use in connection with an inspection now being made of the accounts and records of the Federal Savings & Loan Insurance Corporation, Washington, D. C., it is requested that, as soon as practicable, two members of your party be detailed to ascertain from the records of the Waldorf Astoria Hotel, whether a Mr. Nugent Fallon was registered there as a guest on December 11, 1935, and October 10, 1936; also, to ascertain from the records of the Biltmore Hotel whether Mr. Fallon was registered there as a guest on January 15, 1936, and July 31, 1937.

Prompt reply will be appreciated.

Cordially,

S. B. TULLOSS, Chief of Investigations.

GENERAL ACCOUNTING OFFICE
WASHINGTON

Office of the Comptroller General of the United States.

In reply quote initials.

NEW YORK, N. Y., September 26, 1938.

PG-38

Re: Inspection of Federal Savings and Loan Insurance Corporation, Washington, D. C.
Messrs. Chase and Palsgrove:

Letter from chief of investigations, dated September 24, 1938, attached, is self-explanatory. It is requested that you ascertain the information indicated therein as needed, and draft report thereon to chief of investigations.

This matter should be handled special and should take precedence over all other work that either of you may have pending before you.

RALPH HALE, Investigator in Charge.

GENERAL ACCOUNTING OFFICE

WASHINGTON

OFFICE OF THE COMPTROLLER GENERAL OF THE UNITED STATES,
NEW YORK, N. Y., September 27, 1938.In reply quote initials.
Report No. 1338.

CHIEF OF INVESTIGATIONS: Pursuant to memorandum of Mr. Hall of September 26, 1938, assigning for investigation case P G-38—Inspection of Federal Savings & Loan Insurance Corporation, Washington, D. C. (ex. 1) and letter to Mr. Hale of September 24, 1938, from Mr. S. B. Tulloss, Chief of Investigations (ex. 2), I proceeded to the Waldorf-Astoria Hotel, Fiftieth Street and Park Avenue, New York City, where Mr. John H. Klughers, senior assistant manager, was contacted and upon presenting our credentials and stating the object of our visit, checked the hotel's records re Mr. Nugent Fallon having been a guest there on the dates of December 11, 1935, and October 10, 1936. Mr. Klughers stated the only registration of Mr. Fallon of record was October 14-17, 1936. We asked if we might examine all records re this period and he replied we would have to see Mr. Augustus Nulle, treasurer, and directed a bellboy to take us to Mr. Nulle.

Upon stating the information desired, Mr. Nulle phoned Mr. W. F. McDermott, credit manager, that he was sending us down and to let us examine all records pertaining to Mr. Fallon. Examination of the records failed to disclose Mr. Fallon as having been a guest of the hotel on the dates of December 11, 1935, and October 10, 1936. There was a record of Mr. Fallon being registered at 10:05 a. m., October 14, 1936, and departing at 7:57 a. m., October 17, 1936. He was assigned room No. 1701 at a special rate of \$5.25 per day. The purpose shown on the registration card was to attend B. and L. (building and loan, title supplied by Mr. McDermott) association convention. Attached hereto is an extract of the account for October 14-17, 1936 (ex. 3).

At the Biltmore Hotel, Forty-third Street and Madison Avenue, attempts were made to contact Mr. W. H. Rorke, the manager, he being away from the hotel; we contacted Mr. F. W. Ehrhardt, assistant to Mr. Rorke, and asked him if we could examine the records of Mr. Nugent Fallon. Examination of the registration records at the Biltmore Hotel failed to reveal Mr. Fallon as having been a guest at the hotel on the dates of January 15, 1936, and July 31, 1937. Further search failed to show any registration of Mr. Fallon at this hotel.

In our examination of the records at the Waldorf-Astoria Hotel there was also disclosed the registration of Mrs. Nugent Fallon, of Forest Hills, N. Y., for 1 night only on April 20, 1936.

Respectfully submitted.

EARL P. CHASE,
WILLIAM G. PALSGROVE,
Investigators.

WASHINGTON, D. C., July 11, 1938.

Mr. AXEL HAWKINSON,
Secretary, Swedish-American Savings & Loan Association,
919 Walnut Street, Kansas City, Mo.:

Please arrange guest privileges Kansas City Club, Nugent Fallon and B. H. Wooten arriving Monday.

OSCAR R. KREUTZ,
Chairman, Review Committee.

The above does not appear to be official business, therefore not properly chargeable to official funds.

Numerous telegrams were sent in connection with lobbying for certain legislation; for list of such telegrams see exhibit 1.

There were also some telegrams sent regarding conventions, and paid for from official funds; for list of such telegrams see exhibit 2.

In view of the fact that much of the travel performed by Nugent Fallon covered week-ends in New York and Boston it has been developed that the 1938 New York telephone directory lists Mrs. Nugent Fallon as living at 74 Greenway Terrace, Forest Hills, N. Y., and information has been obtained through representatives of this office stationed in Boston, Mass., that Mr. Nugent Fallon is the owner of the property located at 135 Beach Bluff Avenue, Swampscott, Mass., and was used by him as a summer home.

The expense vouchers of Mr. Fallon showed taxi fare from station to certain hotels in New York City and Boston, Mass.; in this connection see exhibits 3 and 4.

T. H. REAVIS,
W. N. CRAWFORD.

It will be noted from the Comptroller General's letter to the President of the Federal Home Loan Bank Board that one Dr. H. E. Hoagland, a member of the board of trustees of the Federal Savings & Loan Insurance Corporation, also made a number of trips to Columbus, Ohio, on alleged Government business at Government expense, but where he had his home. Conveniently enough, the Hoagland trips were also week-end arrangements.

Before Mr. Fallon became general manager of the Federal Savings & Loan Insurance Corporation, at \$10,000 a year, he was associated with the Home Owners' Loan Corporation at a salary of \$8,500. I have no doubt that if an

investigation were made of his travel charges when with the H. O. L. C. the same state of affairs would be revealed.

How does the Federal Home Loan Bank Board look upon the illegal expenditures of Mr. Fallon, General Manager of the Federal Loan Insurance Corporation, and of Dr. H. E. Hoagland, former member of the Board? Mr. Speaker, the Board simply condones them and makes itself a party to the activities. In proof of that statement I ask unanimous consent to have inserted in the RECORD at this point a copy of a letter addressed to the Acting Comptroller General by Mr. T. D. Webb, Vice Chairman of the Board, under date of November 4, 1938, and under date of December 14, 1938.

FEDERAL HOME LOAN BANK BOARD,
Washington, November 4, 1938.

HON. R. N. ELLIOTT,
Acting Comptroller General of the United States,
Washington, D. C.

DEAR SIR: Your letter of November 1 to the Chairman, regarding the travel record of Dr. H. E. Hoagland, a former member of this Board, and Mr. Nugent Fallon, General Manager of the Federal Savings & Loan Insurance Corporation, has been referred to me.

Be assured that we greatly appreciate the courtesy of your statement, and the submission of your findings to us.

The communication will have the immediate attention of the Board and you will be advised of its conclusions.

In the meanwhile we have requested our Mr. J. B. Richards to confer with you on the subject in the next few days.

Very truly,

T. D. WEBB, Vice Chairman.

FEDERAL HOME LOAN BANK BOARD,
Washington, December 14, 1938.

R. N. ELLIOTT, Esq.,
Acting Comptroller General,
General Accounting Office, Washington, D. C.

SIR: Response to your courteous communication of November 1, 1938, A-47928, suggesting certain questions with regard to travel expenses incurred by Messrs. H. E. Hoagland and Nugent Fallon, former member of the Board of Trustees of the Federal Savings & Loan Insurance Corporation, and general manager of that corporation, respectively, has been delayed until careful consideration and study of these matters could be completed by the Board.

A thorough examination of the travel expense of Mr. Hoagland and of Mr. Fallon reveals that in every case the expense incurred by these gentlemen was pursuant to travel undertaken solely because of necessary official business of the Federal Savings & Loan Insurance Corporation.

You will appreciate that it is necessary for the Insurance Corporation to maintain constant contacts not only with insured institutions, but likewise with associations not yet insured, for the purpose of carrying out and encouraging the desired participation in the Government's program of insurance of savings and loan accounts. In all areas it has been necessary for the Insurance Corporation to maintain a constant check on the current financial and operating status of insured institutions as well as to closely scrutinize those institutions making application for membership in the insurance system. Mr. Fallon's work, in particular, has necessitated a continuous contact with legislative developments, especially in those areas where the volume of savings and loan association investment is large. Attention should be directed to the fact that Columbus, Ohio, and metropolitan Boston, Mass., are two of the country's most busy centers of savings and loan activity. In Ohio, at the outset of the Insurance Corporation's operations, disturbed local conditions in the building and loan field made necessary a closer than ordinary contact with local conditions. In Massachusetts the successful installation and operation of an insurance program has been complicated by the existence of the only State program of building and loan insurance in the country and has required a close and continuing familiarity with the problems and conditions peculiar to that area.

It has quite naturally been the practice of the Board to send its representatives into the various areas of the country where they are best known and where they are most thoroughly familiar with local problems and conditions. A great deal of the necessary contact work incident to the encouragement and establishment of the Government's insurance program in the savings and loan associations of the country has, of course, been conducted over week ends, at which time individuals prominent in the savings and loan field were available for conference.

Investigation has been made of the travel in connection with which the telegram of July 11, 1936, to which reference is made on page 7 of your letter, was sent. Mr. Fallon was not in attendance at any meeting or convention at the time of this travel but was engaged solely on business of the insurance corporation.

I trust that this communication will satisfactorily answer your queries with regard to this matter, and, if there is anything further which the Board can do to clarify matters of this nature, we shall be pleased to have your suggestions.

Very truly yours,

T. D. WEBB,
Vice Chairman, Board of Trustees.

I will not take the time to read these letters to the House, but I do urge every Member to read them. You will find that they represent an evasive attempt to "whitewash" the whole thing. For instance, they explain the matter in this way:

A great deal of the necessary contact work incident to the encouragement and establishment of the Government's insurance program in the savings and loan associations of the country has, of course, been conducted over week ends * * *"

That is how they explain the week-end trips of these officers to their homes at Government expense. They also point out the interesting fact that Boston, Mass., is one of the busy centers of savings and loan activity. And so the Federal Home Loan Bank Board is in collusion with the officers of these agencies of the Government by approving their use of Government funds for week-end trips home. They approve the whole thing with the unique explanation that "contacts are made on week ends" and that it so happens that where the officers' homes are located are "busy centers of savings and loan activity." What nonsense!

I have no doubt but that the foregoing is a mere example of the kind of thing that is taking place in other particulars in connection with the Federal Savings & Loan Insurance Corporation, the H. O. L. C., and the Federal Home Loan Bank Board. An investigation will show some very startling facts.

Apparently, Mr. Fallon, Dr. Hoagland, Mr. Webb, and these other officials connected with the Federal Deposit Insurance Corporation have overlooked the fact that there is a provision of law, placed on the statute books by Congress, which makes it a criminal offense to misapply the Corporation funds. I call attention to section 512 (c) of the act of June 27, 1934, which reads in part as follows:

(c) Whoever, being connected in any capacity with the Federal Housing Administration or the Federal Savings and Loan Insurance Corporation (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to the Administration or the Corporation or pledged, or otherwise entrusted to the Administration or the Corporation, or (2) with intent to defraud the Administration or the Corporation or any other body, politic, or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Administration or the Corporation, make any false entry in any book, report, or statement of or to the Administration or the Corporation, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other such obligation or draft, bill of exchange, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than 5 years, or both.

The question probably arises in the minds of a number of Members as to how these things can take place. The answer lies in the fact that in setting up the Federal Savings & Loan Insurance Corporation and the Home Owners' Loan Corporation the Congress granted them special latitude in the expenditure of public moneys and the accounting therefor. They were granted greater freedom in the use of public moneys than is contemplated by the general law or enjoyed by the departments and establishments of the Government generally.

The act of June 13, 1933, which authorized the Federal Home Loan Bank Board to establish the H. O. L. C., states in section 4 (j):

The Corporation * * * shall determine its necessary expenditures under this act and the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other law governing the expenditure of public funds * * *.

The act of May 28, 1935, of the Federal Savings & Loan Insurance Corporation, states in section 22:

The Corporation * * * shall determine its necessary expenditures under the act and the manner in which the same shall be incurred, allowed, and paid, without regard to the provisions of any other law governing the expenditures of public funds.

This particular section was not in the original act of June 27, 1934, but rather was an amendment obtained at the instigation of the Federal Home Loan Bank Board who did not wish to have its expenditures checked by the Comptroller General.

Secondly, I here and now charge the Federal Home Loan Bank Board, officers of the Home Owners' Loan Corporation and of the Federal Savings & Loan Insurance Corporation, with deliberate efforts to avoid any complete accounting of their funds. I charge that Board with refusal to comply with the intent and purpose of Executive Order No. 6549, dated January 3, 1934, providing for the audit by the Comptroller General of the United States. That order reads as follows:

By virtue of the authority vested in me as President of the United States, it is hereby ordered and directed that accounts of all receipts and expenditures by governmental agencies, including corporations, created after March 3, 1933, the accounting procedure for which is not otherwise prescribed by law, shall be rendered to the General Accounting Office in such manner, to such extent, and at such times as the Comptroller General of the United States may prescribe, for settlement and adjustment pursuant to title III of the act of June 10, 1921.

Since that order was issued by the President the General Accounting Office has endeavored to secure a complete accounting for all funds, but with little or no success. How the Home Owners' Loan Corporation has resisted such an accounting will be found on pages 25 to 27 of the Report of the Acting Comptroller General for the fiscal year 1937. How the Federal Savings & Loan Insurance Corporation, also under the Federal Home Loan Bank Board, has resisted such an accounting will be found on page 29 of that same report. I suggest that every Member of Congress carefully examine that report.

Mr. Speaker, I have asked unanimous consent to have inserted in the RECORD at this point a letter addressed to me under date of May 29, 1939, by Hon. Fred H. Brown, Comptroller General of the United States, in which he outlines the situation.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, May 29, 1939.

HON. RALPH E. CHURCH, M. C.,
House of Representatives.

MY DEAR MR. CHURCH: In reply to request in your letter of May 11, 1939, for the latest audit of the books and affairs of the Home Owners' Loan Corporation and the Federal Savings & Loan Insurance Corporation, there are transmitted herewith copies of correspondence and other data from the files of this office, which it is believed will furnish you the information you desire.

The acts under which the Home Owners' Loan Corporation and the Federal Savings & Loan Corporation were created carried no specific provision therein for the rendition of accounts to the General Accounting Office nor for the audit of the financial transactions of the corporations by this office. However, Executive Order No. 6549, dated January 3, 1934, provided as follows:

"By virtue of the authority vested in me as President of the United States, it is hereby ordered and directed that accounts of all receipts and expenditures by governmental agencies, including corporations, created after March 3, 1933, the accounting procedure for which is not otherwise prescribed by law, shall be rendered to the General Accounting Office in such manner, to such extent, and at such times as the Comptroller General of the United States may prescribe, for settlement and adjustment pursuant to title III of the act of June 10, 1921, 42 Stat. 23."

Pursuant to the provisions thereof this office endeavored to have the accounts of the Corporations rendered here for audit and to secure a complete accounting for all funds of the Corporations, which are wholly owned and controlled by the United States.

Reference to the annual report of the Acting Comptroller General for the fiscal year 1937 (copy herewith) will disclose a full statement as to the failure to render accounts by certain agencies and corporations of the Government, with particular reference to the Home Owners' Loan Corporation and the Federal Savings & Loan Insurance Corporation. (See pp. 16, 17, 20, 21, 25-29, inclusive.) Quoted in part therein are excerpts from correspondence had between this office and the corporations here involved.

As evidenced by the numerous letters between this office and the corporations, all efforts to secure the rendition of accounts to this office were of no avail under the then existing law, and therefore no audits have been made of the accounts of the two corporations prior to July 1, 1938. It was not until the passage of the Independent Offices Appropriation Act, 1939, that accounts covering the administrative expenses of the corporations were rendered to this office. Section 4 of the said act provides as follows:

"None of the funds made available by this act for administrative expenses of the agencies under the caption 'emergency agencies' shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the terms and provisions of the Budget and Accounting Act of 1921, as amended."

Such section has for its purpose to require an audit of the administrative expenses (only) of certain emergency agencies for which appropriations are provided in such act. It is desired to point out in such connection that an audit of a part of the transactions of an agency is ineffective and practically without merit unless some degree of audit control is provided for the remainder of the transactions of such agency. Using as an example an agency to which the provisions, supra, apply, in many instances there is very little distinction between "administrative expenditures" and "nonadministrative expenditures," with the result that, if the agency so desires, expenditures may be switched from the administrative to the nonadministrative category, either to prevent audit by this office or to conserve funds limited in amount for administrative purposes, and this office would be without means of detecting the practice without having access to expenditures under both classes. While it is not claimed that such action has been resorted to by any of the agencies to which section 4, supra, applies, it can readily be seen that such is possible.

Under date of September 7, 1938, representatives of this office made an examination of the accounts and records of Mr. John Byrns, treasurer, Federal Savings & Loan Insurance Corporation, photostatic copy of which is attached hereto for your information, together with copies of correspondence had with officials of the Corporation in regard to certain matters reported therein.

It is hoped that the information furnished herewith fully meets your needs; and if there is required any further data, this office will be pleased to furnish the same upon request.

Sincerely yours,

FRED H. BROWN,

Comptroller General of the United States.

I wish especially to call the attention of this House to the following important statement in that letter:

As evidenced by the numerous letters between this office and the Corporations, all efforts to secure the rendition of accounts to this office were of no avail under the then-existing law and therefore no audits have been made of the accounts of the two Corporations (referring to Home Owners' Loan Corporation and Federal Savings and Loan Insurance Corporation) prior to July 1, 1938.

The time has come when we who represent the people must have some accounting of the extensive operations of the Federal Home Loan Bank Board handling literally billions of dollars of public money. The time has come for a complete audit and a thorough investigation of the illegal activities it and the Corporation officers have been engaging in. Many Members of the House have spoken to me urging an audit and a thorough investigation. They have indicated an interest in seeing that this House pass an appropriate resolution for that purpose.

Mr. Speaker, I wish to point out another example of just what is taking place in this particular establishment. In the course of my investigation it came to my attention that Mr. Charles A. Jones, General Manager of the Home Owners' Loan Corporation, deliberately conducted a campaign at Government expense in opposition to a bill affecting the H. O. L. C. pending in Congress. This matter should be of special interest to Members of Congress who are interested in helping those people who have their homes mortgaged with the H. O. L. C.

In 1937 there was pending in Congress a bill introduced by Congressman Ellenbogen, of Pennsylvania. It was listed as H. R. 6092 and in substance sought to lower the rate of interest on loans made by the H. O. L. C. In order to cause pressure to be brought to bear on Members of Congress, Mr. Charles A. Jones, General Manager of the H. O. L. C., at Government expense, telephoned, long distance, the various regional offices located throughout the United States, instructing them to call the State offices within their jurisdiction and to instruct the State managers to instruct all district managers to contact all local newspapers to get a statement of Mr. Jones a prominent place in every newspaper. I have in my hand a copy of this statement prepared by Mr. Jones. It was sent out under the frank, setting forth reasons why the Ellenbogen bill should not be enacted into law.

Mr. Speaker, by the sending out of this statement under the frank and by long-distance-telephone calls to urge getting it in the press at Government expense, I here publicly charge Mr. Charles A. Jones, General Manager of the H. O. L. C., with violating section 201 of title 18 of the

Federal Code, which provides in substance that no money appropriated by any act shall be used directly or indirectly to influence in any manner any Member of Congress on legislation. That provision not only subjects the offending officer with removal, but also subjects him to a fine of not more than \$500 or imprisonment of not more than a year.

Mr. BYRNS of Tennessee. Mr. Speaker, will the gentleman yield?

Mr. CHURCH. I yield to the distinguished gentleman from Tennessee [Mr. BYRNS] if he will be brief.

Mr. BYRNS of Tennessee. I would like to say to the gentleman from Illinois that I am familiar with the situation about which he is speaking. From July 1933 until the latter part of May 1939 I was general counsel in Tennessee for the H. O. L. C. I know of my own knowledge that Mr. Jones did make these telephone calls, just as the gentleman has said, and I have seen the statement and I am wondering if the statement to which the gentleman is referring is the 4-page statement prepared by Mr. Jones and sent out under frank, which ends up with seven conclusions by Mr. Jones as to why he thinks this would be a bad bill. Is that the statement to which the gentleman has been referring?

Mr. CHURCH. It is the statement. I have it here for all to see. This is a 4-page memorandum which was prepared and sent out by Charles A. Jones, General Manager of the H. O. L. C., October 23, 1937, and it does end up on page 4, where he states, after he had stated many other things, "An analysis of the situation then leads to these conclusions." I shall not read all of those conclusions—

Mr. BYRNS of Tennessee. They are not worth it.

Mr. CHURCH. The No. 2 conclusion of Mr. Jones states:

The proposed changes would result in heavy losses, which the taxpayers would ultimately have to pay.

May I say to the distinguished gentleman from Tennessee [Mr. BYRNS] and to the House, and to Mr. Jones, in view of this No. 2 conclusion, that his numerous illegal long-distance telephone calls are a violation of the penal statute I have cited, and the peculations of his friend Fallon in 1935-6-7 and through '38, and even yet, I suppose, are heavy losses, and I am quoting from his conclusion No. 2, "which the taxpayers would ultimately have to pay."

Then he says in the other conclusions, Nos. 4 and 5, that the "H. O. L. C. collections are continually improving," and in his conclusion No. 5 "the H. O. L. C. must be permitted to build up reserves to meet losses." I would say to the gentleman and to Mr. Jones that apparently the collections of Mr. Fallon "are continually improving" in permitting him "to build up" his private "reserves."

Mr. BYRNS of Tennessee. Mr. Speaker, will the gentleman yield?

Mr. CHURCH. Yes; briefly.

Mr. BYRNS of Tennessee. At the time of this violation of the law I brought it to the attention of my superiors of the Home Owners' Loan Corporation, and urged that some action be taken against Mr. Jones, citing the statute. I was told at the time that it was none of my business, and I am glad to see that the Congress of the United States is making it its business.

Mr. SCHAFER of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. CHURCH. Yes; I yield to the distinguished gentleman from Wisconsin briefly.

Mr. SCHAFER of Wisconsin. In view of the fact that the Attorney General of the United States, Mr. Murphy, is traveling about the country complaining about the excessive number of employees on the Federal pay roll, I suggest that the gentleman from Illinois send Mr. Murphy a copy of the fine speech he made today and ask Mr. Murphy to present the cases of these embezzlers to the grand jury, and remove them from the public pay roll. If Mr. Murphy would put these fellows in the penitentiary, where they belong it would help reduce the number of Federal employees. Mr.

Murphy now has an opportunity to act to reduce the number of Federal employees as well as talk about the necessity of doing so.

Mr. CHURCH. I assume that this whole subject will come to the attention of the Attorney General, but I am also interested in its coming to the attention of the distinguished members of the Banking Committee of the House, in order that these matters may be corrected.

Mr. SCHAFER of Wisconsin. But this is a matter of embezzlement of public funds, according to the gentleman's statement. It should be presented to a grand jury and the thieves should be put behind the walls of a penitentiary instead of continuing to draw handsome salaries from the taxpayers' Treasury which they have robbed. The Attorney General should put them in the penitentiary and remove them from the Government pay roll. Now is the time to have less talk and more action.

Mr. KEOGH. Mr. Speaker, will the gentleman yield?

Mr. CHURCH. I yield to my friend the distinguished gentleman from New York.

Mr. KEOGH. Let me ask the gentleman this: If I should tell the gentleman that I have introduced a resolution looking toward a study of the question of transferring the holdings of the Home Owners' Loan Corporation to private banks and institutions, and an extension of the Federal Housing Administration insurance, that is of the mortgages, and if I were to ask the gentleman to assume that by doing that the Home Owners' Loan mortgagors would obtain a lower rate of interest, would the gentleman support such a resolution, and would he be desirous of aiding those mortgagors in obtaining their loans at lower rates of interest?

Mr. CHURCH. I think the gentleman's suggestion is commendable, and I think he should take that up with the Banking and Currency Committee of the House.

Mr. KEOGH. Does not the gentleman think that our time would more properly be taken up with what we can do for all those mortgagors than by raising questions that might be the subject of separate study?

Mr. CHURCH. I appreciate the gentleman's contribution. All of these questions should be considered by the Committee on Banking and Currency, but Mr. Speaker, I must hurry on, so I cannot yield further.

Mr. Speaker, in speaking of the actions of Mr. Jones, general manager of the H. O. L. C., I might suggest that the sale to the Federal Home Loan Bank Board of the building here in Washington, formerly owned by the Acacia Life Insurance Co., at a price of \$1,060,000 would bear investigating. It has been brought to my attention that the negotiations for the sale were carried on by the General Manager of the H. O. L. C., and that he also acted at the same time in his former capacity as real-estate agent in the District of Columbia.

Unquestionably, Mr. Speaker, the Federal Home Loan Bank Board and the officers of the corporations under its control are literally running wild. It is all a mess. I am especially interested in bringing this to the attention of the members of the Committee on Banking and Currency, who have jurisdiction over all legislation affecting these establishments. I sincerely hope they will assume the initiative and bring in an appropriate resolution whereby their committee or a subcommittee of it may make a complete audit of the Board's operations, as well as that of the H. O. L. C. and the Federal Savings & Loan Insurance Corporation; also a complete investigation of the illegal expenditures of public moneys that have already taken place. [Applause.]

The SPEAKER pro tempore. Under special order of the House, the gentleman from Wisconsin [Mr. GRISWOLD] is recognized for 20 minutes.

THE FARMER AND PARITY PAYMENTS

Mr. GRISWOLD. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include therein excerpts from two or three letters on agricultural matters.

The SPEAKER pro tempore (Mr. RAYBURN). Without objection, it is so ordered.

There was no objection.

Mr. GRISWOLD. Mr. Speaker, we have been experiencing, for the last 6 years, a new and far different agricultural program than this Nation has ever known before. After 6 years, certainly sufficient time has elapsed so that the wisdom or folly of the program can be determined. I want to speak of some of the effects of this program and particularly its effects upon the great dairy section of the United States, of which my State is a part.

The agricultural program was started under the so-called Triple A, and later under parity payments and soil subsidy payments. Billions of dollars have been spent under this program. It will probably be interesting to the Members of this House and the public in general to know what section of the United States received the great bulk of the payments, and the effect upon the people and the crops the payments were supposed to benefit.

Mr. Speaker, I wish to insert in the RECORD at this point a table of farm subsidy payments.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

The table is as follows:

Total farm value—total subsidy payments—percentage of subsidy payments to total farm value

State	Total farm value ¹	Total subsidy payments, years 1933-35 ²	Percentage of subsidy payments to total farm value ¹
Alabama.....	\$368,000,000	\$72,751,409	19
Arizona.....	133,000,000	7,108,667	5
Arkansas.....	376,000,000	79,613,675	21
California.....	2,325,000,000	35,612,497	1
Colorado.....	419,000,000	33,877,177	8
Connecticut.....	284,000,000	2,668,913	1
Delaware.....	51,000,000	1,580,880	3
Florida.....	321,000,000	7,775,989	2
Georgia.....	430,000,000	74,927,471	17
Idaho.....	307,000,000	22,575,084	7
Illinois.....	2,206,000,000	103,934,352	4
Indiana.....	1,040,000,000	65,436,424	6
Iowa.....	2,462,000,000	178,338,535	7
Kansas.....	1,470,000,000	159,253,517	10
Kentucky.....	620,000,000	48,243,918	7
Louisiana.....	296,000,000	63,221,838	21
Maine.....	143,000,000	2,661,321	1
Maryland.....	243,000,000	7,077,590	2
Massachusetts.....	256,000,000	2,482,649	1%
Michigan.....	826,000,000	27,171,795	3
Minnesota.....	1,382,000,000	75,701,661	5
Mississippi.....	371,000,000	85,209,765	22
Missouri.....	1,099,000,000	81,820,838	7
Montana.....	376,000,000	41,279,603	10
Nebraska.....	1,563,000,000	110,640,138	7
Nevada.....	43,000,000	523,090	1
New Hampshire.....	67,000,000	461,749	1%
New Jersey.....	234,000,000	2,194,731	1%
New Mexico.....	170,000,000	11,742,479	6
New York.....	1,045,000,000	9,477,423	1%
North Carolina.....	623,000,000	67,619,824	10
North Dakota.....	797,000,000	88,844,563	11
Ohio.....	1,278,000,000	54,407,003	4
Oklahoma.....	784,000,000	107,552,070	13
Oregon.....	449,000,000	15,811,455	3
Pennsylvania.....	862,000,000	11,731,619	1
Rhode Island.....	35,000,000	74,890	1%
South Carolina.....	285,000,000	52,248,553	18
South Dakota.....	692,000,000	76,884,950	11
Tennessee.....	556,000,000	46,632,905	8
Texas.....	2,574,000,000	285,250,457	11
Utah.....	158,000,000	8,119,065	5
Vermont.....	116,000,000	1,299,423	1
Virginia.....	594,000,000	16,371,513	2
Washington.....	551,000,000	26,381,890	4
West Virginia.....	238,000,000	3,227,290	1
Wisconsin.....	1,247,000,000	40,365,778	3
Wyoming.....	167,000,000	8,479,974	5

¹ From U. S. Department of Agriculture Bulletin No. 18.

² From U. S. Department of Agriculture, Secretary of Agriculture.

³ All percentages carried only 2 places.

Mr. GRISWOLD. The first column of the table shows the total farm value in each State. The second column shows the total subsidy payments from the beginning of this program in 1933 up to the close of 1935. The States greatly vary in size and in amount of agricultural land, and the fairest way I know to determine the equality of payments among the several States is in proportion to their total farm value. The

third column of figures represents the percent subsidy payments bear to total farm value.

WHO GETS THE PARITY PAYMENTS

Of the billions of dollars appropriated for agriculture, cotton and the cotton crops alone have received practically \$1,000,000,000. Parity payments for cotton acreage are no doubt largely responsible for the great variation in agricultural aid between different States. The State of Mississippi received 22 percent of her total farm value in subsidies. In other words, the Mississippi farmers received as a gift from the Government almost one-fourth of the value of their entire farm. Louisiana received 21 percent, Arkansas 21 percent, Alabama 19 percent, Georgia 17 percent, and other cotton States very large amounts.

In order to make clear both to the Members of this House and the farmers in my State how great the subsidy payments have been I wish to quote from a Georgia county agent as placed in the CONGRESSIONAL RECORD on page 6993 by Senator GEORGE:

DEAR FARMERS OF PERRY COUNTY: We will begin delivering 1938 agricultural conservation checks Friday of this week. Since 1933 farmers in Perry County have received \$1,532,780 in A. A. A. benefit payments. You will receive \$254,000 this year as cotton-reduction and soil-building payment and approximately \$200,000 as a parity payment. The total amount of money received from the Federal Government in benefit payments during the 6 years of A. A. A. amounts to the gross return for the total cotton production in Perry County for the last 3 years.

This statement shows, and this county only happens to be mentioned, and no doubt other counties can show much greater payments, that the cotton farmer received from the Government each year in subsidy payments a sum equal to one-half the gross return for his total cotton production. I am wondering what the farmers in my State or other dairy States would think if the Federal Government would give them a sum equal to one-half their monthly cream check over a period of 6 years. I believe these figures make it very plain to everyone the tremendous amount of subsidy that has been granted certain sections of the United States. Now, what about the farmers in the States who refused to sell their independence for subsidy payments? What did they get in comparison with the 17 to 22 percent certain States received? My State, Wisconsin, got 3 percent. Nine northern dairy States got 1 percent or less. In other words, the great dairy States are good States when it comes to paying taxes, but when it comes to agricultural benefits they get no aid.

THE RUIN OF THE COTTON INDUSTRY

When the program for the cotton farmer was laid out and money spent on it in lavish amounts it would seem great prosperity should result. The cotton farmer sold himself for parity payments and agreed to follow the dictates of an agricultural program that was given him.

I now wish to discuss the effects of the program on the cotton farmer and the great cotton industry that he represents. In this connection, Mr. Speaker, I wish to insert in the RECORD a portion of a letter, dated June 6, 1939, from J. E. McDonald, commissioner of Agriculture of the State of Texas. I quote, as follows:

MY DEAR CONGRESSMAN: As elected representative of the cotton farmers of Texas who produce nearly one-third of the Nation's cotton, I earnestly and respectfully urge that you pronouncedly and actively oppose the proposal to use the taxpayers' money to subsidize cotton exports.

Using public funds as bonus to foreigners for buying our American cotton at the present ridiculously low price, which is under cost of production and far below parity, cannot be justified. If any subsidy or bonus is to be paid they should be paid to Americans and not foreigners.

During the past 6 years Congress has followed Secretary Wallace's cotton suggestions with the result that today the cotton industry of America is in a hell of a fix. Secretary Wallace may be ever so honest and sincere but he has thoroughly demonstrated his inability in solving the cotton problem, and the public should and will condemn any Congressman who will further follow an official whose ideas have proven so impractical and destructive to one of America's greatest agricultural industries.

With cotton exports the smallest since 1884 and with nearly 12,000,000 bales of cotton frozen under Government loans, it is time to stop dilly-dallying about and get on something constructive.

With the administration of the present A. A. A. program, which is unsound and impractical, cotton farmers are being forced to compete with farmers growing other crops which surely will bring on more confusion and demoralization in general agriculture.

Wallace's proposed export subsidy would antagonize foreign cotton producers and result in reprisals which would be disastrous for the American farmer.

While Mr. McDonald is the commissioner of agriculture for the State of Texas, I do not wish to show the conditions of the cotton industry by the testimony of one man, and I now wish to include in the RECORD a portion of a letter dated June 13, 1939, from Mr. Ralph M. Moore, master, Texas State Grange, and I quote as follows:

If the American farmer continues to be used by Secretary Wallace as an experiment, we will soon be forced to quit raising cotton and enter into other lines of agriculture, which are now overcrowded.

No program will ever be successful that does not embody the principles of the American market for the American farmer at an American price; tariff for all or tariff for none.

This testimony, I think, should make clear to everyone, that the agricultural program as bought and paid for by the subsidy payments has brought ruin to the industry it was supposed to benefit. I have selected cotton and have made this case showing the effect of the present policy upon this one branch of agriculture. Corn, wheat, rice, and tobacco have been under the same program though to a much less extent. I believe every farm crop for which a program has been laid out and purchased with parity payments is worse off than it was before.

THE DAIRY INDUSTRY

The dairy industry and the farmers in my State, when they discovered the great amount of money being handed out under parity payments, have wondered if they too should not surrender to the agricultural administration and accept the payments that might be given them. The trade treaties entered into by the administration which allowed cattle, cheese, and other products to enter this country at greatly reduced rates have depressed the price of dairy products. In despair, the farmers in my State have been sorely tempted to ask for parity payments. Some of them feared that perhaps a mistake was made when the agricultural program first came out and Wisconsin did not choose to accept it. If the Wisconsin dairy farmer had entered the program, there is no reason to believe that he would have fared any better than the cotton farmer who did enter the program.

He would have received substantial subsidy payments, but he would have seen the great dairy industry he represents destroyed. Parity payments and control production have been a tremendous and costly failure. This Congress may or may not grant a few additional millions for crop-subsidy payments. Even if they do it will probably be the last crop-parity payment. Those who have enjoyed the greatest payments are beginning to see the folly and ruin of the whole program and are turning against it. We are witnessing the dying struggle of one of the most foolish and costly programs ever inflicted upon the farmers of any nation.

The dairy farmers of Wisconsin did not ask for parity payments, but they do protest against the present program whose failure has forced other sections into the dairy industry. They feel, and I believe rightly so, that the administration should take care of the surplus its own policy has created.

The dairy industry built up and made a place in the American market for their product and resent its being taken away from them by the low tariff of the trade treaties.

I have protested at various times, on the floor of this House, against the lowering of duties on dairy products. The dairy industry cannot stand world competition and survive. The dairy farmer is being ruined under the present trade program. I have discussed, in times past on this floor, the trade treaties in detail. I want now to call attention to just a few items as shown in the April report of foreign-trade statistics. Cattle importations in the first 4 months of this year are 400,967 head. During the month of April just past 125,614 head of cattle were imported. The Union Stock Yards at Chicago, the greatest cattle market in the

world, sold during April 123,240 head. In other words, we are importing more cattle than the total sales in the Chicago yards. During the first 4 months of this year we imported 21,836,213 pounds of canned beef and 16,312,116 pounds of hams, shoulders, and bacon.

How long can such importations continue before they ruin the farmers' livestock market?

During the first 4 months of this year under the new low tariff on eggs 123,244 dozen fresh eggs were imported. Must the poultry industry, the industry that buys the groceries, the industry of the farm wife, also be destroyed?

Barley malt in the first 4 months of this year was imported to the extent of 31,338,627 pounds. What will the farmers in the great barley producing States say to the loss of this market?

I would like to discuss many more farm products, but I realize my time is too limited. We have been told to have patience, that the trade-treaty program would help agricultural exports. I want to read to you from the May 25 release of the Department of Commerce:

The value of agricultural exports at \$37,636,000 in April, was 31 percent below the preceding month and 43 percent under the corresponding month of 1933. The chief agricultural exports—cotton, tobacco, and grain—decreased by \$7,800,000, \$5,700,000, and \$2,500,000, respectively, as compared with the preceding months' figures, and by \$11,000,000, \$1,400,000, and \$15,600,000, as compared with the totals in April 1933.

I believe the farmers of this Nation will soon realize the ruination the policies of this administration has brought them. The American farmer is entitled to the American market. No agricultural program can succeed that does not consider this fundamental.

CALENDAR WEDNESDAY BUSINESS

Mr. COSTELLO. Mr. Speaker, I ask unanimous consent that the business in order on Calendar Wednesday may be dispensed with.

The SPEAKER pro tempore. Is there objection?
There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. DUNN, for 2 days, on account of important business.
To Mr. NORRELL, for 1 week (at the request of Mr. KITCHENS), on account of important business.

ADJOURNMENT

Mr. COSTELLO. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 50 minutes p. m.) the House adjourned until tomorrow, Tuesday, June 20, 1939, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON THE JUDICIARY

On Wednesday, June 21, 1939, beginning at 10 a. m., there will be continued a public hearing before the Committee on the Judiciary on the bill (H. R. 6369) to amend the act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplemental thereto; to create a Railroad Reorganization Court; and for other purposes.

There will be continued a public hearing before Subcommittee No. 3 of the Committee on the Judiciary on Wednesday, June 21, 1939, at 10 a. m., on the bill (H. R. 2318) to divorce the business of production, refining, and transporting of petroleum products from that of marketing petroleum products. Room 346, House Office Building.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries will hold public hearings in room 219, House Office Building, at 10 a. m., on the bills and dates listed below:

On Tuesday, June 20, 1939, on H. R. 4307 (committee print), to extend the provisions of the Shipping Act, 1916,

and the Intercoastal Shipping Act, 1933, to all common carriers by water in interstate commerce, and for other purposes.

There will be a meeting of the Committee on Merchant Marine and Fisheries at 10 a. m., Tuesday, June 27, 1939, for the consideration of H. R. 6572, relating to marine war-risk insurance.

COMMITTEE ON FOREIGN AFFAIRS

There will be a meeting of the Committee on Foreign Affairs in the committee rooms, the Capitol, on Tuesday, June 20, 1939, at 10 a. m., for the consideration of S. 326, for the payment of awards and appraisals heretofore made in favor of citizens of the United States on claims presented under the General Claims Convention of September 8, 1923, United States and Mexico.

COMMITTEE ON INDIAN AFFAIRS

There will be a special meeting of the Committee on Indian Affairs on Tuesday, June 20, 1939, at 10 a. m., to hold hearings on H. R. 2775, a bill authorizing the Arapahoe and Cheyenne Indians to submit claims to the Court of Claims, and for other purposes.

There will be a meeting of the Committee on Indian Affairs on Wednesday next, June 21, 1939, at 10:30 a. m., for the consideration of H. R. 909, H. R. 953, H. R. 2738, H. R. 4831, H. R. 6506, and S. 72.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

There will be a meeting of the Committee on Public Buildings and Grounds at 10 a. m., Wednesday, June 21, 1939, for the consideration of H. R. 6830.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

There will be an executive hearing of the Committee on Immigration and Naturalization on Wednesday, June 21, 1939, at 10:30 a. m. for the consideration of unfinished business.

COMMITTEE ON PATENTS

The Committee on Patents of the House of Representatives will hold a meeting Thursday, June 22, 1939, at 10 a. m. in the caucus room, House Office Building, to consider the following bills: H. R. 6721, classification of patents; H. R. 6618, trade-marks; H. R. 6877, Navy Department, secrecy of inventions; H. R. 6872, H. R. 6873, H. R. 6874, H. R. 6875, H. R. 6878, changes in patent laws.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the miscellaneous railroad subcommittee of the Committee on Interstate and Foreign Commerce at 11 a. m., Tuesday, June 20, 1939. Business to be considered: Continuation of hearing on H. R. 6371, passenger transit bill.

EXECUTIVE COMMUNICATIONS, ETC.

877. Under clause 2 of rule XXIV a letter from the legislative representative, Veterans of Foreign Wars, transmitting the proceedings of the Thirty-ninth National Encampment of the Veterans of Foreign Wars of the United States, held at Columbus, Ohio, August 21-26, 1938 (H. Doc. No. 39), was taken from the Speaker's table, referred to the Committee on Military Affairs, and ordered to be printed, with illustrations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. BLOOM: Committee on Foreign Affairs. House Joint Resolution 306. Joint resolution, Neutrality Act of 1939; with amendment (Rept. No. 856). Referred to the Committee of the Whole House on the state of the Union.

Mr. KEE: Committee on Foreign Affairs. House Joint Resolution 315. Joint resolution to provide for the adjudication by a Commissioner of Claims of American nationals against the Government of the Union of Soviet Socialist Republics; without amendment (Rept. No. 865). Referred to the Committee of the Whole House on the state of the Union.

Mr. DEROUEN: Committee on the Public Lands. H. R. 1675. A bill to establish a national land policy, and to provide homesteads free of debt for actual farm families; without amendment (Rept. No. 866). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6897. A bill granting pensions to certain widows of veterans of the Civil War; without amendment (Rept. No. 857). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6398. A bill granting pensions and increases of pensions to certain helpless and dependent children of veterans of the Civil War; without amendment (Rept. No. 858). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6899. A bill granting pensions to certain veterans of the Civil War; without amendment (Rept. No. 859). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6900. A bill granting pensions to certain former widows of veterans of the Civil War; without amendment (Rept. No. 860). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6901. A bill granting increase of pensions to certain widows of veterans of the Civil War; without amendment (Rept. No. 861). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6902. A bill granting increase of pensions to certain former widows of veterans of the Civil War; without amendment (Rept. No. 862). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 474. A bill granting an increase of pension to Grizelda Hull Hobson; without amendment (Rept. No. 863). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 4574. A bill granting an increase of pension to Adelaide Westover; without amendment (Rept. No. 864). Referred to the Committee of the Whole House.

Mrs. O'DAY: Committee on Immigration and Naturalization. H. R. 4249. A bill for the relief of Stephen Kelen; without amendment (Rept. No. 868). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. RANKIN:

H. R. 6903. A bill to provide for allowance of expenses incurred by Veterans' Administration beneficiaries and their attendants in authorized travel for examination and treatment; to the Committee on World War Veterans' Legislation.

By Mr. TAYLOR of Tennessee:

H. R. 6904. A bill to confer jurisdiction on the Court of Claims to hear, determine, and enter judgment upon the claims of Government contractors whose costs of performance were increased as a result of enactment of the National Industrial Recovery Act, June 16, 1933; to the Committee on Claims.

By Mr. PIERCE of Oregon:

H. R. 6905. A bill to prohibit the use of the mails for the taking of a straw vote; to the Committee on the Post Office and Post Roads.

By Mr. WALLGREN:

H. R. 6906. A bill to amend the Tariff Act of 1930; to the Committee on Ways and Means.

By Mr. FLANNERY:

H. R. 6907. A bill granting the consent of Congress to the Commonwealth of Pennsylvania to reconstruct, maintain, and operate a free highway bridge across the Susquehanna

River, from the borough of Wyoming, in the county of Luzerne, Commonwealth of Pennsylvania, to Jenkins Township, county of Luzerne, Commonwealth of Pennsylvania; to the Committee on Interstate and Foreign Commerce.

By Mr. CANNON of Florida:

H. R. 6908. A bill conferring jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claims of all persons who have claims for damages or losses resulting from the construction, further development, and improvement of the intracoastal waterway, Miami to Jacksonville, Fla., and for other purposes; to the Committee on Claims.

By Mr. LESINSKI:

H. R. 6909 (by request). A bill to amend Public Law No. 190 of the Sixty-sixth Congress; to the Committee on Invalid Pensions.

By Mr. GEHRMANN:

H. R. 6910. A bill to enable the Secretary of Agriculture more effectively to assist in the voluntary adjustment of indebtedness between farm debtors and their creditors; to provide for the transfer of certain mortgages and foreclosed farm property from the Federal land banks to the Federal Farm Mortgage Corporation, and the refinancing thereof; and for other purposes; to the Committee on Agriculture.

By Mr. GARRETT:

H. R. 6911. A bill to extend eligibility for disabled emergency officers' retirement benefits to those disabled emergency officers of the World War otherwise entitled thereto who failed to file application therefor within the time provided for in Public Law No. 506, approved May 24, 1928, Seventieth Congress; to the Committee on World War Veterans' Legislation.

By Mr. SHAFER of Michigan:

H. R. 6912. A bill to provide an allowance to civilian officers and employees of the United States permanently transferred to a new post of duty equal to the cost of transporting their family and personal goods to such new post; to the Committee on Expenditures in the Executive Departments.

By Mr. STEAGALL:

H. R. 6913. A bill to extend the period during which direct obligations of the United States may be used as collateral security for Federal Reserve notes; to the Committee on Banking and Currency.

By Mr. ANGELL:

H. R. 6920. A bill to authorize the withdrawal of national-forest lands for the protection of watersheds from which water is obtained for municipalities, and for other purposes; to the Committee on Agriculture.

By Mr. HARTER of Ohio:

H. R. 6921. A bill to waive the age limit for appointment as second lieutenant, Regular Army, of certain persons now on active duty with the Air Corps; to the Committee on Military Affairs.

By Mr. BATES of Kentucky:

H. R. 6922. A bill to create a Milk Control Board for the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. WALTER:

H. R. 6923. A bill to protect employees in their right to vote at national elections; to the Committee on the Judiciary.

By Mr. THORKELOSON:

H. J. Res. 331. Joint resolution proposing an amendment to the Constitution of the United States repealing the seventeenth amendment; to the Committee on Election of President, Vice President, and Representatives in Congress.

By Mr. BLAND:

H. Res. 224. Resolution for the consideration of H. R. 6746; to the Committee on Rules.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of California, memorializing the President and the Congress of the United States to consider their Assembly

Joint Resolution No. 35, relative to additional Federal aid to dependent children; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. LESINSKI:

H. R. 6897. A bill granting pensions to certain widows of veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6898. A bill granting pensions and increase of pensions to certain helpless and dependent children of veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6899. A bill granting pensions to certain veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6900. A bill granting pensions to certain former widows of veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6901. A bill granting increase of pensions to certain widows of veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6902. A bill granting increase of pensions to certain former widows of veterans of the Civil War; to the Committee on Invalid Pensions.

By Mr. H. CARL ANDERSEN:

H. R. 6914. A bill granting an increase of pension to Sarah K. Carter; to the Committee on Invalid Pensions.

By Mr. DEMPSEY:

H. R. 6915. A bill for the relief of Mr. and Mrs. John W. Finley; to the Committee on Claims.

By Mr. FLANNERY:

H. R. 6916. A bill for the relief of Leroy Lester Weidow; to the Committee on Naval Affairs.

H. R. 6917. A bill for the relief of Soter L. Johnson; to the Committee on Military Affairs.

By Mr. McKEOUGH:

H. R. 6918. A bill for the relief of Maude Sykes; to the Committee on Claims.

By Mr. TAYLOR of Tennessee:

H. R. 6919. A bill for the relief of R. E. Rule; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

3855. By Mr. ANGELL: Petition of Helene Murphy, Portland, Oreg., and 14 others, asking for the enactment of House bill 5620; to the Committee on Ways and Means.

3856. By Mr. HAVENNER: Petition of the United Federal Workers of America, urging Congress to enact House bill 960, Congressman Ramspeck's bill to extend the classified executive civil service of the United States; to the Committee on the Civil Service.

3857. By Mr. KEOGH: Petition of Frederick I. Daniels, general secretary, Brooklyn Bureau of Charities, Brooklyn, N. Y., favoring the passage of House bill 5763; to the Committee on Banking and Currency.

3858. Also, petition of the American Planning and Civic Association, Washington, D. C., concerning the Gearhart bill (H. R. 3794); to the Committee on the Public Lands.

3859. Also, petition of the Plazine Oil Co., Inc., New York City, concerning the Connolly bill (S. 1302); to the Committee on Interstate and Foreign Commerce.

3860. Also, petition of the Jewish Social Service Association, Inc., New York City, concerning the new Wagner bill; to the Committee on Labor.

3861. Also, petition of the New York State Bankers Association, New York City, concerning the Postal Savings System, the Federal Budget, Office of the Comptroller of the Currency, Federal savings and loan associations, and the silver-purchase program; to the Committee on Banking and Currency.

3862. Also, petition of the New York State Society of Professional Engineers, Inc., New York City, concerning the

Mead bill (S. 2063) and the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3863. Also, petition of the Central Federation of Labor, Albany, N. Y., favoring the passage of the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3864. By Mr. MICHAEL J. KENNEDY: Petition of the New York State Bankers Association, urging the desirability of limiting the Postal Savings System to those communities lacking adequate banking facilities; also favoring the repeal of the Silver Purchase Act; to the Committee on Banking and Currency.

3865. Also, petition of the United Shoe Workers of America, Joint Council No. 13, urging support of the Casey bill; to the Committee on Appropriations.

3866. Also, petition of the Jewish Social Service Association, Inc., favoring the Wagner bill, which would amend the United States Housing Act of 1937, to authorize an additional \$800,000,000 for loans; to the Committee on Labor.

3867. Also, petition of the International Brotherhood of Boiler Makers, Iron Ship Builders and Helpers, urging alleviation of the unemployment situation in the city of New York; to the Committee on Labor.

3868. Also, petition of the Newspaper Guild of New York, Local No. 3, American Newspaper Guild, opposing all quota reductions on Works Progress Administration; to the Committee on Appropriations.

3869. Also, petition of the New York State Waterways Association, expressing its opposition to the Lea bill, providing regulation of water carriers; to the Committee on Interstate and Foreign Commerce.

3870. Also, petition of the Plazine Oil Co., opposing Senate bill 1302, known as the Connolly Act; to the Committee on Interstate and Foreign Commerce.

3871. Also, petition of the United Photographic Employees, Local Industrial Union No. 415, protesting against the abolition of the Federal Art Project; to the Committee on Appropriations.

3872. Also, petition of the New York State Society of Professional Engineers, Inc., endorsing for immediate adoption the Mead bill (S. 2063) and the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3873. By Mr. PFEIFER: Petition of the Brooklyn Bureau of Charities, Brooklyn, N. Y., favoring consideration and passage of House bill 5763; to the Committee on Banking and Currency.

3874. Also, petition of the American Planning and Civic Association, Washington, D. C., concerning the passage of the Gearhart bill (H. R. 3794); to the Committee on the Public Lands.

3875. Also, petition of the Central Federation of Labor, Albany, N. Y., endorsing the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3876. Also, petition of the Jewish Social Service Association, Inc., New York City, approving the Wagner bill, to amend the United States Housing Act of 1937; to the Committee on Labor.

3877. Also, petition of the Beaver-Ramapo Democratic Club, New York City, urging consideration of House bill 1390, to provide an adequate pension and medal for Matt Henson; to the Committee on Military Affairs.

3878. Also, petition of the New York State Society of Professional Engineers, Inc., New York, endorsing the Mead bill (S. 2063) and the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3879. Also, petition of the New York State Bankers Association, New York City, concerning the Postal Savings System, the Federal Budget, office of the Comptroller of the Currency, Federal savings and loan associations, and the silver purchase program; to the Committee on Banking and Currency.

3880. Also, petition of the Plazine Oil Co., Inc., New York City, urging defeat of the Connolly bill (S. 1302); to the Committee on Interstate and Foreign Commerce.

3881. By Mr. SCHIFFLER: Petition of M. B. McDonough, assistant secretary and treasurer, Committee of United

Works Progress Administration Workers of Brooke County, W. Va., urging that the Northern Panhandle of the State of West Virginia be segregated from the central district rates of wages and placed in the northern district rates of wages in order that they can meet the living costs that compare with the living costs of those who labor in the northern district and who do the same kind and type of work as they are required to perform; to the Committee on Ways and Means.

3882. By Mr. STEARNS of New Hampshire: Petition of certain citizens of Alstead, N. H., supporting House Joint Resolution 168, permitting the entry of 10,000 refugee children from Germany during each of the calendar years 1939 and 1940; to the Committee on Immigration and Naturalization.

3883. By Mr. WELCH: Petition signed by a number of people of San Francisco, urging the passage of House bill 960; to the Committee on the Civil Service.

3884. By the SPEAKER: Petition of the Order of Railroad Telegraphers, San Francisco, Calif., petitioning consideration of their resolution with reference to House bill 6470, Works Progress Administration appropriation; to the Committee on Appropriations.

3885. Also, petition of Charles Forney, of Princess Anne County, Va., petitioning consideration of their resolution with reference to various legislation passed by the United States Congress; to the Committee on the Judiciary.

3886. Also, petition of the San Francisco Committee for Work and Security, San Francisco, Calif., petitioning consideration of their resolution with reference to Works Progress Administration; to the Committee on Appropriations.

3887. Also, petition of Harry Lee Jones, of Los Angeles, Calif., and others, petitioning consideration of their resolution with reference to Kings Canyon National Park; to the Committee on the Public Lands.

3888. Also, petition of the city and county of San Francisco, petitioning consideration of their resolution with reference to electric power; to the Committee on Military Affairs.

3889. Also, petition of the Utility Workers Organizing Committee, San Francisco, Calif., petitioning consideration of their resolution with reference to electric power; to the Committee on Military Affairs.

3890. Also, petition of Rose Spector, of San Francisco, Calif., and others, petitioning consideration of their resolution with reference to House bill 6470, concerning Works Progress Administration; to the Committee on Appropriations.

3891. Also, petition of Joseph Di Caro, of San Francisco, Calif., and others, petitioning consideration of their resolution with reference to House bill 6470, Works Progress Administration legislation; to the Committee on Appropriations.

3892. Also, petition of the Independent Voters League, Inc., Columbus, Ohio, petitioning consideration of their resolution with reference to Works Progress Administration employment; to the Committee on Appropriations.

3893. Also, petition of L. Shrewsbury, of New York, N. Y., petitioning consideration of their resolution with reference to Works Progress Administration projects; to the Committee on Appropriations.

3894. Also, petition of the Workers Project Association, New Orleans, La., petitioning consideration of their resolution with reference to Works Progress Administration legislation; to the Committee on Appropriations.

3895. Also, petition of the New York State Society of Professional Engineers, Inc., New York, petitioning consideration of their resolution with reference to Senate bill 2063 and House bill 4576, public-works projects; to the Committee on Appropriations.

3896. Also, petition of the Council of the City of Los Angeles, Calif., petitioning consideration of their resolution with reference to House bill 4576, concerning Federal Emergency Administration of Public Works; to the Committee on Appropriations.

3897. Also, petition of the Aurora Chamber of Commerce, Aurora, Ill., petitioning consideration of their resolution with reference to National Labor Relations Act (Wagner Act); to the Committee on Ways and Means.

SENATE

TUESDAY, JUNE 20, 1939

(Legislative day of Thursday, June 15, 1939)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The Chaplain, Rev. Zebarny T. Phillips, D. D., offered the following prayer:

Our Heavenly Father, Thou who knowest our frame and rememberest that we are but dust: Turn Thy face from our sins and put out all our misdeeds, as we invoke Thy blessing upon us. May we never forget that, if personal character be the most precious of all jewels, the home is the casket that holds and protects it, and, if the Nation's life be as a river, broad and deep, the home is the spring on the mountainside where the river has its source. Bless and purify, therefore, our homes, these fountains of our national life; may love and tenderness, truth and honor prevail at every hearthstone in America, and lead us, as a people, to the City of God, in the spirit and power of Him who sanctified the home and left His eternal benediction there, Jesus Christ, Thy Son, our Lord. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, June 19, 1939, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had agreed to the amendment of the Senate to the bill (H. R. 5619) to provide for the training of civil aircraft pilots, and for other purposes.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5762) to provide for temporary postponement of the operations of certain provisions of the Federal Food, Drug, and Cosmetic Act.

The message further announced that the House had passed a bill (H. R. 6851) to provide revenue, equalize taxation, and for other purposes, in which it requested the concurrence of the Senate.

CALL OF THE ROLL

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Danaher	King	Reynolds
Andrews	Davis	Lee	Russell
Ashurst	Donahay	Logan	Schwartz
Austin	Ellender	Lucas	Schwellenbach
Bailey	Frazier	Lundeen	Sheppard
Bankhead	George	McCarran	Shipstead
Barkley	Gerry	McKellar	Slattery
Bilbo	Gillette	Maloney	Taft
Bone	Guffey	Miller	Thomas, Okla.
Borah	Gurney	Minton	Tobey
Bridges	Harrison	Murray	Townsend
Brown	Hatch	Neely	Truman
Bulow	Hayden	Norris	Tydings
Burke	Herring	Nye	Vandenberg
Byrd	Hill	O'Mahoney	Van Nuys
Byrnes	Holman	Overton	Wagner
Capper	Holt	Pepper	Walsh
Chavez	Hughes	Pittman	Wheeler
Clark, Idaho	Johnson, Calif.	Radcliffe	White
Clark, Mo.	Johnson, Colo.	Reed	Wiley

Mr. MINTON. I announce that the Senator from Virginia [Mr. GLASS] is detained from the Senate because of illness.